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INTERNATIONALIZATION STRATEGY OF
CHINESE E-COMMERCE FIRMS.THE CASE OF
ALIBABA GROUP

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ЗАЯВЛЕНИЕ О САМОСТОЯТЕЛЬНОМ ХАРАКТЕРЕ ВЫПОЛНЕНИЯ ВЫПУСКНОЙ КВАЛИФИКАЦИОННОЙ РАБОТЫ

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АННОТАЦИЯ

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Описание цели, задач и основных результатов	<p>Целью данной магистерской диссертации является выявление движущих сил интернационализации, особенностей, бизнес-стратегий и способов международной экспансии китайских компаний электронной коммерции. Для достижения поставленной цели были поставлены следующие задачи: 1) выявить конкурентные преимущества китайских фирм электронной коммерции; 2) выявить мотивы расширения их деятельности на международном уровне; 3) проанализировать процесс интернационализации китайских фирм электронной коммерции; и 4) проанализировать выбор бизнес-стратегии и режимов входа.</p> <p>Исследование основано на случае Алибаба Группа определила, что характеристики экосистеме бизнес-модель, уникальная технология, сильный бренд, опыт топ-менеджмента команды и качества товаров и услуг являются внутренними движущими силами успешной интернационализации, в то время как ниши внутреннего рынка, высокой конкуренции, государственного регулирования и политики, а также привлекательность внешних рынков и мягкие правила и благоприятной политики, являются внешними факторы. Китайские фирмы электронной коммерции выбирают непосредственно холдинг местных компаний, запуск собственных дочерних и стратегических партнерств для выхода на рынок. Что касается бизнес-стратегии, то для развития внешнего рынка используется стратегия лидерства по затратам и дифференциации со значительным уровнем локализации.</p>
Ключевые слова	Китай, Alibaba, AliExpress, Lazada, электронная коммерция, интернационализация, стратегия

ABSTRACT

Master Student's Name	Wang Rui
Master Thesis Title	Internationalization strategy of Chinese e-commerce firms. The case of Alibaba Group
Educational Program	Master in Management
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Academic Advisor's Name	Joan Freixanet Solervicens
Description of the goal, tasks and main results	<p>The goal of the present master's thesis is to find out the drivers of internationalization, peculiarities, business strategies and entry modes of international expansion of Chinese e-commerce firms. To achieve the goal, the following objectives were set: 1) identify the competitive advantage of Chinese e-commerce firms; 2) identify the motives to expand their operations internationally; 3) analyze the process of internationalization of Chinese e-commerce firms, and 4) analyze the choice of the business strategy and entry modes.</p> <p>The study based on the case Alibaba Group has identified that the characteristics of the business ecosystem model, unique technology, strong brand, experience of TMT and product and service quality are the internal drivers of successful internationalization, while niche domestic market, high competition, government regulation and policies, as well as attractiveness of foreign markets and soft regulations and supportive policy, are the external drivers. Chinese e-commerce firms choose directly holding local companies, launching its own subsidiary and strategic partnerships to enter the market. As for business strategy, cost leadership and differentiation strategy with a significant level of localization are used to develop the foreign market.</p>
Keywords	China, Alibaba, AliExpress, Lazada, e-commerce, internationalization, strategy

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1. INTRODUCTION

1.1 Research background

The Internet has promoted global consumers' access to various suppliers and product lines in various countries and various cultures around the world. The increasing Chinese Internet users have laid a solid foundation for expanding e-commerce market in China. In the past ten years, the number of Internet users has increased dramatically and online shopping activities have penetrated into Chinese cities. China plays an important role in the global Internet market, but compared with the western countries, there are differences in the business model, consumer behavior, and buyer preferences in the Chinese market. In addition, consumers of e-commerce companies have their own online shopping preferences, referring to information access, technology levels, payment and delivery services.

The rapid development of the Internet in China has helped Chinese companies overcome the restrictions imposed by their geographical location. The application of e-commerce in China and other emerging markets can be affected by organizational preparation, innovation characteristics, and culture. Chinese companies have increased their efficiency by participating in more e-commerce operations. It was pointed out that e-commerce is not only a stage of new technology. Compared with traditional industries, e-commerce itself is also a fast-growing industry. The adoption of e-commerce has enabled companies to further develop. From the perspective of the global supply chain, Chinese companies also act as manufacturers in the global market. E-commerce can further provide services to Chinese companies by providing more access and more effective communication with cross-regional business partners.

With the popularity of the Internet and the continuous development of smartphone technologies, it is easier for people around the world to come into contact with various e-commerce websites and participate in more online activities. This makes modern e-commerce not only rise in several countries but the rapid development of various countries around the world at the same time, especially in China known as the "world factory." In traditional trade, many companies around the world have purchased or processed and re-exported goods from China, but nowadays, based on the development of e-commerce, the transaction model has changed. Most Chinese producers or companies have adopted e-commerce platforms at home and abroad to carry out sales of products and services, which greatly improve China's e-commerce technology. No matter whether it is platform creation, marketing model, payment system, personal authentication system, logistics delivery, etc., it has stepped into standardization and internationalization.

In recent years, the growth rate of China's traditional export trade has slowed down (B Eichengreen, D Park, K Shin, 2012); on the other hand, the amount of cross-border e-commerce

export is increasing rapidly and accounting for a larger market share. As cross-border e-commerce decrease the supply chain, lower the cost and pass over intermediary services which are inevitable in traditional trade, so the manufacturer is able to face customer directly, as well as boosting profit and reducing product price. However, the Chinese domestic e-commerce market begins to saturate, Chinese enterprises are seeking new foreign markets in order to avoid intense competition in domestic market.

The new companies with innovative business models and technologies have changed traditional industries and the consumer behavior. The pace of globalization has accelerated, the business environment has changed quickly, and information technology has developed rapidly. This creates opportunities for these new companies and sometimes they can quickly internationalize their business and start looking for new business opportunities from the very beginning. Thus, traditional internationalization theories are being reconsidered. These theories mainly focus on multinational corporations and their strategies in order to conduct research on the new internationalization companies - Born Global and International New Enterprise (INVs).

The most prominent example of Born Globals today is the rapidly developing Chinese e-commerce company. With the advancement of global economic integration, cross-border e-commerce has attracted increasing attention and discussion. Chinese enterprises and governments also pay special attention to cross-border e-commerce. Through the efforts of enterprises and the support of the government over the past few years, China's cross-border e-commerce has taken a leading position in the world, especially in Asia. When it comes to China's cross-border e-commerce, many people will think of China's e-commerce giant, the "Alibaba Group," because of its successful listing in the United States on September 19, 2014, which has increased their visibility and international competition. The Alibaba Group's cross-border e-commerce platform is divided into B2B model-Alibaba platform, B2C mode-AliExpress and B2C mode-Tmall International (TY Kim, R Dekker, C Heij, 2017). The first two are platforms for exporting goods from China while the latter is a platform for importing goods from foreign countries. AliExpress platform is China's global retail consumer goods platform. The platform has a lot of market share in the e-commerce market in the Southeast Asia and Russia in particular. In recent years, it has become the main cross-border e-commerce platform in the Russian market. Although China's cross-border e-commerce vendors have done well, the more participants, the smaller the market share must be. To get rid of this situation, they must not only differentiate themselves from other competitors but also seek new markets.

In the existing literature, there is a great deal about internationalization theory and internationalization theory in emerging markets. In recent years, the internationalization of e-commerce companies has received extensive attention. More and more e-commerce company

companies, especially Born Globals like Alibaba, have challenged traditional industries and changed the way people consume goods and services. Second, there is limited capacity for the existence of frameworks and models to analyze the process and patterns of the internationalization of such companies, as they have developed in the era when multinational corporations dominate the international stage. Therefore, it is important to develop new theories through the more careful study of this new phenomenon. An e-commerce company, especially the case of Alibaba, will contribute to understanding the internationalization of modern Born Globals and the internationalization of Chinese e-commerce companies and will lay the foundation for further research on this new company.

1.2 The research question, aims, and objectives of the research

Therefore, *the goal* of this dissertation is to explore the driving factors of internationalization, the characteristics and modes of international expansion of Chinese e-commerce companies.

For a variety of reasons, research question deserves attention. First, due to the emergence of e-commerce, we have witnessed major changes in the traditional retail industry, and this change is very rapid because e-commerce companies quickly internationalize their business and enter more and more markets.

There are a lot of theories and research about Internationalization strategy and specifically in emerging market. Most of them are about common industries and less about the internet-based companies, not to mention Chinese e-commerce companies. Second, the pace and scope of internationalization of Born Globals e-commerce companies challenge the established theories that were designed to explain the foreign expansion of MNEs. Third, Chinese e-commerce companies are developing and internalizing their operations quickly, their strategies have difficulties compared to other countries due to the economic, political and other reasons.

The research question of the study is How do Chinese e-commerce companies internationalize their operations? And the sub-questions are set as followings:

- How are their international strategies different from the others?
- Why are they different?
- What are the factors or drivers of the differences?

To answer the research question, the following *goals* were set:

- Identify the competitive advantage of Chinese e-commerce firms that allows them to expand successfully to foreign markets;
- Identify the motives to expand their operations internationally;
- Analyze the process of internationalization of Chinese e-commerce firms;
- Analyze the choice of entry modes and the business strategy.

The current work not only contributes the development of the theory on internationalization of e-commerce in emerging markets and internationalization of Chinese e-commerce companies but also is helpful when the managers and entrepreneurs of emerging technology companies are internationalizing and how to successfully expand their business abroad.

1.3 Research strategy and structure of the paper

The qualitative research approach is used in this thesis. The study is explorative and uses a single case study as a research strategy. The object of the study is Alibaba Group and its expansion to Russia and Southeast Asia.

There are four chapters in this master's thesis. The first, present chapter, represented the introduction to the study. The second chapter will be focused on the theoretical background of internationalization, internationalization in the emerging markets and especially in the e-commerce industry, and building the research framework by the literature review. The third chapter will illustrate the research methodology and the results of the empirical study including the description of the case and the comparison of regional strategies employed by Alibaba Group. The final, fourth part, will discuss the main results and outcomes of the study, theoretical and practical contribution, and limitations of the research.

2. THEORETICAL BACKGROUND

2.1 Internationalization Strategy

2.1.1 Internationalization theory

There are different methods to define Internationalization, such as the increase in international participation and related changes in organizational form (Bilkey, Tesar, 1977), or simply the outward movement in the company's international operations (Turnbull, 1987). But regardless of the definition, the essence is the same. When a company expands its business to other countries, it will increase its degree of internationalization globally.

Different areas of research have contributed to the development of international entrepreneurial (IE) theory because scholars have tried to analyze this phenomenon from different perspectives. International business frameworks, strategic management, and entrepreneurship are the three most influential areas in International entrepreneurship theory (Zucchella and Scabini, 2007).

The internationalization process of new ventures can be explained and analyzed by *the International business framework*. Entrepreneurship and International business research are closely related because entry into new foreign markets is considered an entrepreneurial activity for new and established companies (Zahra and George, 2002). *Strategic management* research also contributes to IE because entrepreneurial entities also deal with goals and objectives based on their available resources, competitive advantages, and external environmental conditions.

The Eclectic Paradigm or the OLI model developed by John H. Dunning is of the utmost importance for us. It takes into account the company's advantages in terms of ownership, location and possible international expansion and helps determine the best internationalization choice. The OLI paradigm of Dunning (1995, 1998) can help explain the development of e-commerce companies. The source of O-level advantage lies in entrepreneurship and innovation, knowledge and intangible resources. Internet companies have the advantage of customizing products and promoting interactions to attract and retain customers (Rayport & Jaworski, 2001). The positional advantage on the Internet can come from the social capital invested in the local network. The L-level advantage is provided by a location with good internet infrastructure and good intellectual property protection. In addition, the layout of the site and the interactivity provided can also be used as site-level location advantages. Finally, the internalization or I-level advantages of Internet-based companies can lead to vertical or horizontal integration, even if such demand is influenced by low opportunism. The OLI paradigm was modified and extended by Singh and Kundu (2002) to reflect the changes brought about by Internet e-commerce companies. They said that the revised example is N-OLI to reflect the advantages of network-based (N). The advantages provided by the network are due to the fact that companies are embedded in the network. Embeddedness, the benefits of electronic brokerage and the Internet economy. The research of e-commerce companies can be a benefit to this theory.

The Uppsala model gives an explanation of the process of internationalization. First, the company gained expertise in the domestic market and then began exporting to neighboring countries. Later it turned to more distant importers and eventually established subsidiaries. The Uppsala model has gained important recognition in the internationalization works. However, the applicability of its modernization is questionable because the lack of market knowledge is no longer crucial because of ICT development.

The Transaction Cost Economics (TCE) theory explains the need for network governance by identifying conditions specific to the company, namely environmental uncertainty, asset specificity, and transaction frequency. TCE was adopted by IB earlier, IB literature has widely used TCE to explain and predict the foreign market entry decision-making of enterprises (Chen, 2010). The basic logic of these research is a market failure. Especially, the companies are forced

to seek other non-market governance mechanisms such as foreign direct investment and joint ventures because of the difficulty of obtaining necessary assets from external markets. The TCE constitutes the theoretical basis for the above internalization theory and eclectic paradigm. Like traditional companies, TCE-specific conditions (such as environmental uncertainty, asset specificity, and transaction frequency) are also common on the Internet.

The Resource-Based View (RBV) theory defines a company's resources at a specific time as those (tangible and intangible) assets that are semi-permanently related to the company. When the company's strategy utilizes available resources, companies can gain competitive advantage. A growing number of resource-based ownership issues revolve around intangible assets and intellectual property, as transnational corporations in OECD economies have become lighter assets and knowledge-intensive (Mudambi, 2004). Hitt et al. (2001) pointed out that intangible resources such as reputation, brand name, and proprietary technology are more difficult to imitate, thereby contributing to the company's continued competitive advantage. However, only having such resources may not lead to a favorable market position. Equally important is how the company managed to reconfigure its resources and adapt to the changing economic environment. Corporate RBV theory can explain the growth of e-commerce companies. E-commerce companies are usually SMEs that compete globally based on unique resources that reside in the network (Singh & Kundu, 2002).

Another theory that is important to us is the network model (Johanson and Mattsson, 1988), which explains the company's position in the company network and its relationships. The model assumes that companies need to share their accumulated market knowledge in order to expand their business internationally. As a result, internationalization is supported by the network rather than the unique advantages of the enterprise. The internationalization of the company depends on the degree of internationalization of its network. This is a valuable theoretical background for analyzing Chinese e-commerce companies' partnerships in the global market.

2.1.2 Born Globals

Born Globals phenomenon originated in Michael Rennie (1993), he studied cross-border competitiveness and resource management companies across different countries (Jones, 2011). Many researchers have studied born global phenomenon; it is about the theory from its origins assessment. Born Global's concept was first studied by McKinsey & Co., and they concluded that the Born Globals were characterized by a total export volume of at least 75% of the total sales and began in its first two years of operation (McKinsey & Company 2008).

There are many different factors that can explain the existence of Born Globals. Madsen & Servais, the industry's leading researchers, found the most important reasons (Madsen & Servais,

2014). The first reason is that when the domestic market becomes too small and narrow, market conditions change and companies must find new markets and new growth opportunities. The second reason is that the development of technology makes the internationalization process easier than in the past (for instance, the harmonization and standardization of processes and products in various countries). The third reason is the ability of managers and founders to conduct the international business.

One of the most important factors that can explain the Born Global phenomenon is management's internationalization team agreement. In addition, the company's capability to standardize products and services, marketing is also very important.

When understanding the Born Global concept, it is better to get to know the characteristics of Born Globals as described by many researchers. One of the features is the lack of tangible and intangible resources and assets (P. McDougall, 2013). The startup company naturally faces difficulties in financial resources and industry knowledge. The experience of founders and managers is also essential to the Born Globals (Madsen & Servais, 2014). Their education, former work experience, and cultural background influence the company's internationalization process.

Oviatt & McDougall identified six key features of the success for Born Globals (Oviatt & McDougall, 2015): 1. The company's managers have international experience to help them understand new markets conditions; 2. From The origin of the establishment, the company has a global perspective; 3. The company has a strong international network, providing companies with opportunities for success; 4. The company has a unique product or service; 5. The company has been committed to R & D, development of new products and innovation; 6. The company's global integration.

In addition, McDougall & Oviatt determined four main types of Born Globals based on how many countries they operate in and the number of activities of the company. According to their theory, companies which have small numbers of activities across countries are called export-import startups. These companies operate both like importers and exporters and their competitive advantage is they know more about the logistics. The second type is companies which operate in a few countries – they are called geographically focused start-ups. Their competitive advantage is the coordination of the different value chain, knowledge and production. The third type is companies which operate in more than 4-5 countries – they are called multinational traders, while a fourth type is called global startups - they coordinate cross-border many activities.

Born Global companies have many competitive advantages. One of the main advantages is their technologies. McDougall, Oviatt, and Shrader stated that Born Global companies focus on innovative differentiation, better quality, and customer's services compared with traditional companies (McDougall, 2014). Born Globals conduct business faster and better than competitors

due to their outward approach of looking for opportunities and creating networking system in the global market.

Born Globals play an important role in the trade system between countries. Born Global's phenomenon appeared in the 1980s, but the image of the Born Global Company has changed over time and technology. Born Globals now operate successfully by providing services or selling products based on online platforms. Digital platforms with different business models have become a huge threat to traditional markets. Almost all research on Born Globals is based on examples from developed regions in North America, Europe, or Australia. Today's emerging markets and developing countries such as China play an important role in the global stage and in international trade.

Due to the penetration of the Internet and the global digitalization of the market, high-tech startups and digital platforms easily become Born Globals. The small companies also can be Born Globals (McKinsey & Company, 2008). Today's digital startups are primarily Born Globals - they attract users, hire, buy inputs, access funds, and look for multinational coaches from day one. Born Global is becoming the new Born Digital. Social media and digital platforms enable local startups to gain more and more convenience globally and become global startups (Lucton, 2016).

Examples of Born Global digital platforms include Facebook, Airbnb, Uber, Alibaba, eBay, Amazon, and others. In their early years, these companies were all facing the global market. They had a global vision, products or services were unique, and the company invests in research and development. The digital platform easily expands its operations globally through the use of digital components of the business. Digital platforms allow multiple aspects of the business to be connected by providing diverse services for each market segment.

Zhang J (2016) explored the factors affecting Chinese-born global companies based on elements such as entrepreneurship, niche market, international management background and network. In addition, he conducted an in-depth analysis of this phenomenon from the perspective of the entrepreneur's ability. The research results show that entrepreneurial learning and networking capabilities have a direct and positive impact on the international activities of Chinese-born global companies.

2.2 Internationalization strategy in emerging market

In the 1950-60s, some Asian countries started to rise in economic. It sparked an international strategic research in emerging markets first wave. Scholars have paid attention to the internationalization strategy and its formation. There are many types of research on this topic (Rodriguez 2005; Cuervo-Cazurra, Genc 2008; Luo, Rui 2009; Fortanier, Van Tulder 2009; Tsai, Eisengerich 2010).

Irina Mihailova & Andrei Panibratov (2012) research deeper and developed a framework to enable researchers to analyze the emerging market company's strategy. Based on this, strategies should be evaluated from the three dimensions of the macroeconomic level, industry level, and corporate level, with particular attention to government influence and firm-specific resources and capabilities. All dimensions are interrelated and should be evaluated together.

The attractiveness of emerging market economies for foreign investors to cover new demand goes along with the increasing activity of companies from these markets to extend their operation abroad and strengthen competitiveness on the global scale. According to the report of UNCTAD (UNCTAD, 2015), the overall emerging economies (developing and transition economies) in 2014 accounted for 9 out of 20 sources of foreign direct investment, equivalent to US\$468 billion. However, emerging economies have originated from a background that is not conducive to the creation of ownership advantages that are unique to traditional companies (Ramamurti, 2008, Meyer, 2012).

Traditional internationalization theories propose the idea that such a firm-specific advantage as ownership (technological advantage, innovative designs, business models etc.) could facilitate the expansion into foreign markets. This approach was explained in the OLI-eclectic model (Dunning, 2001), which, nevertheless, was criticized since it didn't work in several conditions, including the case of EMNEs (Ramamurti, 2012).

The extant literature on emerging market multinationals (EMNEs) proposes the key role of country-specific advantages (CSAs) opposite to the traditional firm-specific advantage (FSA) such as technology. Some authors suggest that the search for the intangible ownership advantage might be substituted by the network competence– the ability to establish links with the international partners and learn from these firms. The idea of knowledge and information flows along with network building competencies found the support among other researchers (Gaffney, 2013) even in case of SMEs, which are especially lack of resources for internationalization and therefore rely on a greater extent of the collaboration with foreign partners (Costa, 2016). Nevertheless, the competitive ownership advantage as semi-skilled cheap labor and natural resources as oil and gas (e.g. in Russia) also has a support in a literature (Bhamuk, 2016; Ramamurti, 2012).

Ivanauskienė N (2015) conducted an empirical evaluation of the relationship between the e-marketing strategies of SMEs in the Baltic States (emerging markets) and the success of the internationalization process using the revisited internationalization model (2015) proposed by Skudienė et al. The study found that the adoption of e-marketing is a key success factor operating on the international stage. Using e-marketing strategies and capabilities can improve their performance in foreign markets.

With nearly 1.4 billion people, China is the world's largest emerging market and an important global trading partner (Zhang, Knight, and Tansuhaj, 2014). Since China has become a low-cost manufacturing base, China is also the largest recipient of foreign direct investment (World Investment Report, 2015). China has great differences in purchasing power, attitude, lifestyle, media use and consumption patterns across the country. For instance, coastal areas and southeastern regions are more developed because these regions first attracted foreign investors (Guesalaga and Marshall, 2008). Based on Yaprak (2012), there are many reasons why it is difficult for many companies to enter China, including the entry barriers that foreign company managers feel or encounter. The most powerful obstacles are competition strategies, political and social ideologies, institutional and cultural barriers. Yaprak (2012) pointed out that these obstacles obstruct the successful expansion and efficient operation of foreign companies investing in China. Cavusgil et al. (2013) pointed out that the success of emerging markets in China must have two things. One is to understand the diversity of consumers and the second is to understand its impact on marketing strategies (Cavusgil et al., 2013).

Hong J (2015) pointed out that emerging market economies should seriously formulate strategic plans and capabilities to help companies manage institutional traits and use external factors, institutional backgrounds, and government-controlled inputs. In addition, the location of EME and its industry may affect its ability to benefit from government participation. Emerging market economies that are less marketized and establish businesses in areas that encourage competition in the international arena are better able to take advantage of country-related advantages.

Wu (2016) studies how the development of the host country system affects the innovative performance of international emerging market companies (EMEs). The data analysis of emerging market economies in China shows that while the average development of host institutions can improve the parent company's innovation performance, this is particularly true for emerging market economies with strong absorptive capacity and emerging economies that diversify to more countries. The effect is more pronounced. When entering institutions with low levels of institutional development, the income of emerging market economies with higher state-owned shares will increase.

2.3 Internationalization strategy of e-commerce firms

It's not easy to give a clear definition to e-commerce. On July 1, 1997, the U.S. government promulgated the "Global E-Commerce Program". In this outline, e-commerce is pointed out, and various business activities are conducted through the Internet. E-commerce is divided into two major categories: B2B and B2C. As the name implies, global e-commerce is a business activity

that involves countries around the world that conduct transactions over the Internet.

Ravi K Kalakota and Andrew B. Whinston (1996) have deepened their interpretation of e-commerce based on the theory that e-commerce is structured by two pillars of legal policy and technical standards. In simple terms, the definition of e-commerce can be explained from four perspectives: from the communication point of view, through the network, electronic means such as the transfer of transaction-related information; second from the perspective of the business process, e-commerce is the automation of the entire process of business transactions; third from the service point of view, electronic Business is a tool to reduce costs, improve quality, and improve service speed by satisfying the needs of companies and individuals. Fourth, from the perspective of online, e-commerce provides products to be sold through the Internet or other online services in the industry. And service capabilities. These four points basically named the essence of e-commerce, so that we have a clearer understanding of some of the key issues of e-commerce, such as what technology depends on e-commerce, based on what purpose, who is the object and so on.

Turban proposed in 2002 that e-commerce consists of five parts: personnel, public policy, marketing and advertising, support services, and business partners. Based on this, another two points have been added. The first point is that from the perspective of cooperation, e-commerce can help the organization's internal and external cooperation and exchange structure; the second is from the community point of view, e-commerce provides a community where members can learn to communicate.

In addition, relevant international organizations have also defined e-commerce as having relatively representative and authoritative definitions. For instance, OECD defines e-commerce as a commercial transaction that occurs on an open network. There are also between businesses and individuals. Electronic commerce (EC) refers to purchase, sell, transport or trade data, goods or services by the Internet and other networks (Plunkett, 2017).

In summary, e-commerce can be expressed simply as follows: buyers and sellers use the Internet to perform a variety of business activities in accordance with certain rules and standards. Among them, the narrow sense of e-commerce activities refers specifically to the use of Internet-related tools to carry out new business activities; the broad sense of e-commerce is the application of all electronic information technology for business activities.

Due to the unparalleled development of virtual connections among people around the world, the world retail industry is shifting from traditional shopping malls, supermarkets, and shops to virtual counterparts. E-retail is a very active sector in e-commerce and has great growth potential (Moagar-Poladian S, 2017).

As early as 2002, Peter Drucker (2002) predicted that e-commerce would significantly affect the way companies survive. In fact, the world is accepting e-commerce, which makes his prediction a reality. E-commerce is global because e-commerce activities can be seen between and within countries. Alibaba Group is the world's largest e-commerce company. Based on a survey conducted by the National Bureau of Statistics of China on e-commerce transactions, China's e-commerce transactions in 2017 reached 29.16 trillion yuan, an increase of 11.7% year-on-year.

Evidence of online shopping growth is the increase in shopping volume on the U.S. Cyber Monday and Chinese Singles Day ("Double 11"). In 2016, Amazon launched Prime Day. On July 12, 2016, daily sales increased by 60% from the previous day. 2017 Tmall Double 11 Global Carnival ended. The turnover of the entire day reached a record of 168.2 billion yuan. It covered 225 countries and regions.

In 2017, global retail e-commerce sales reached 2.3 trillion US dollars, and by 2021 e-retail revenue is expected to increase to 4.88 trillion U.S. dollars (Statista, 2018). Desktop computers are still the most popular device for online shopping, but smartphones, are catching up.

Since 1999, a lot of e-commerce companies, especially e-retail and B2B exchanges, have begun to fail. Notable failures include Drkoop, March first, Ventura, and Veticalnet. In the past few years, very successful companies such as eBay, Facebook, Amazon, PayPal, LinkedIn, and Alibaba have risen. Other successes include some startups such as Uber, Airbnb, and TripAdvisor.

E-commerce has many advantages. E-commerce provides benefits for organizations, individual customers, and society. For example, one of the major benefits of e-commerce is the creation of chances to start businesses in an unusual manner. The new business model allows entrepreneurs to start a business with a small amount of money and develop rapidly. In addition, the advantages of e-commerce may lead to major changes in business practices. These differences can have a positive impact on business operations, leading to competitive advantages for companies that implement e-commerce and more efficient government and non-profit organizations.

In short, the main reason for researching e-commerce is that it is rapidly growing and affecting many marketing businesses. The proportion of e-commerce in all commercial transactions is rapidly increasing, and some people predict that most of the businesses in the future will be online. Therefore, it is very important to understand this area. Therefore, the next part of this section will focus on the study of the e-commerce internationalization strategy.

E-commerce holds the potential of becoming a major techno-economic innovation and an entry towards broader export, innovation and business transformation (Hanna N K, 2016). Cross-border e-commerce as a form of e-commerce firm's internationalization has the rose attention of researchers recently. Researchers have given a similar concept to cross-border e-commerce, Enron

(2013); Chen Yu (2014); Lu Danping (2015); Ye Wei (2014); E Libin and Huang Yongwen (2014) believe that cross-border e-commerce refers to an international business activity in which transactions partners of different customs areas make use of the Internet and related information platforms to make payments and settlements and deliver goods through cross-border logistics. Cross-border e-commerce has not only broken through the obstacles between countries, lifted the geographical factors that traditional exchanges have, and made an international trade move towards borderless trade. At the same time, it is also causing tremendous changes in the world economy and trade as a way to promote economic integration and global trade.

For companies, the establishment of open cross-border e-commerce, multi-dimensional, three-dimensional model of multilateral economic and trade cooperation has greatly expanded into the international market on the road to promote the resources of multilateral and mutually beneficial inter-enterprise optimization. For consumers, cross-border e-commerce makes it easy for them to get useful information at home and buy cheap goods.

Lu Danping (2015) compared the advantages and characteristics of cross-border e-commerce with traditional trading methods and summarized that cross-border e-commerce is global, intangible, anonymous, and timely. The other characteristics are paperless and rapid evolution. The cross-border e-commerce platform is a platform for companies or individuals to provide online cross-border transactions to talk about their virtual business activities built on the Internet Network space. It is an important place for coordinating and integrating information flow, material flow, and orderly, related, and efficient flow of capital.

Scholars have used a variety of methods to researched from various aspects in this field. Some researchers are conducted from the aspect of the business strategy. The Korean Fashion e-Commerce Company Accommate entered in Chinese by selling its products on Taobao (number one e-market platform in China) instead of making a stand-alone platform (HAN TONGYO, 2015). This strategy decreases the risk, maximize the exposure of itself and bring the first-mover advantage regarding Korean product in Chinese e-marketplace. It is not only trying to expand and strengthen its superiority in Chinese e-marketplace with diverse specialized services but also trying to expand its market segments to East Asia such as Indonesia.

Wang S,Cavusoglu H,Deng Z (2016) believe that there is an early-mover advantage (EMA) among entrepreneurial e-tailers operating on third-party e-commerce platforms. Due to the nature of the Internet and the system design features of the e-commerce platform, the consumer's demand inertia is amplified and the electronic retailer enjoys the advantages of the pioneer. They also believe that the customer relationship management function helps to enhance the forerunner advantage in the online environment.

Khuong Le-Nguyen and YueGuo (2016) using Vietnam eBay. Vn give the concepts and

models of e-commerce and recommend that CEOs consider expanding domestically successful ecosystems or choosing to conduct cross-border e-commerce in the highly competitive Southeast Asian market.

About technology, Shahriar Akter and Samuel Fosso Wamba (2016) states importance the role of Big data analytics in E-commerce. Elin Kuusela & Matilda Söderström's research (2017) by using the example of four Swedish companies shows that a customized and interactive communication globally by online communication tools will create a mutual value for the company as well as its customers. This will contribute to an increased online trust, which later will generate returning customer, hence the company gains loyal customers internationally.

E-commerce is also changing the cost structure of the trade. Estrella Gomez-Herrera (2014) uses the data of the online consumer survey team to conduct online cross-border merchandise trade in the language-dispersed EU market. The analysis shows that the distance-related transaction costs are significantly decreased compared to offline transactions of the same goods. The costs related to language issues are increasing. Online transactions bring new transaction costs such as logistics cost and online financial systems. In addition, there is no indication that online transactions are biased towards home market products rather than offline transactions.

In addition, scholars also study cross-border e-commerce through other aspects such as planning, law, and logistics. Gessner G.H. and Snodgrass C.R. (2015) explores Canada and the United States' promotion of cross-border business plans to identify trades that help SMEs overcome cross-border e-commerce transactions. Barriers include plans for customs clearance, differences in tariff systems and tax laws, and barriers to exchange rate fluctuations. Bengtsson F (2017) discusses the obstacles faced by SMEs in e-commerce in Sweden when conducting their business in Russia and China, and in-depth understanding of how companies respond to these existing obstacles. He believes that while globalization and the Internet are important drivers of e-commerce in emerging markets, barriers such as culture and institutions will discourage e-commerce's development in emerging markets. On the legal front, He Jia (2016) pointed out through the "Trans-Pacific Partnership Agreement" (TPP) that there is no comprehensive regulation of cross-border electronic consumer protection issues in international agreements. It involves relevant provisions and provisions for online consumer protection. The cleverness is too simple and unsystematic. The lack of protection systems and the lack of dispute resolution mechanisms are also flawed. T. Y. Kim, RJ Dekker and C. H. Hu (2016) consider the value of cross-border e-commerce courier services in the European Union market from the perspective of logistics. They believe that courier services have a positive impact on financial performance. When demand for courier services increases, it also brings higher prices. Income, greater lead-time benefits and lower logistics costs.

2.4 Features of Chinese e-commerce firms' internationalization

China is an important country in analyzing the development of e-commerce, in terms of commercial and emerging markets and rapid economic growth. The rapid development of Chinese e-commerce originated in the 1990s. After more than 20 years of development, the revenue of China's e-commerce market reached US\$584,002 million in 2018. Estimated revenue is expected to reach US\$917,695 at an annual growth rate of 12.0% (CAGR 2018-2022). The user penetration rate in 2018 is 46.8%, and it is expected to reach 67.0% in 2022. Current average revenue per user (ARPU) is US\$899.06 (Statista, 2018).

China is now home to more than 731 million Internet users (CNNIC, 2017), already the largest Internet population in the world, and with more than 400 million people still to follow. It's technology giants are now global leaders in e-commerce, Internet finance, communication, artificial intelligence, and so on, and now make up four out of the top 10 Internet companies in the world (Statista, 2017).

E-commerce was included in the thirteenth five-year plan (2016 to 2020) of the Ministry of Industry and Information Technology of China, with the goal of making China a global leader in e-commerce. According to the total number of online users, China is the world's largest e-commerce country (Fatima A, 2017). The growth of cross-border e-commerce will be especially fast in the Asia Pacific, growing 3.7 times between 2011 and 2017, with the largest growth is in China, where cross-border transactions are estimated at \$160 billion in 2018 (Hanna N K, 2016).

The Chinese e-commerce industry has embarked on a development path from e-commerce technology, e-commerce services, and e-commerce economy. It has gone through specific technologies. The application develops into the formation of related industries and integrates the development of various components of the national economy through innovation and synergy. At present, the Chinese e-commerce economy has formed a development model from commodity trading, capital transfer, business activities, supply chain system construction, to commercial development, an industrial chain system, and industrial cluster formation.

In recent years, the growth rate of China's traditional export trade has slowed down (B Eichengreen, D Park, K Shin, 2012); on the other hand, the amount of cross-border e-commerce export is increasing rapidly and accounting for a larger market share. As cross-border e-commerce decrease the supply chain, lower the cost and pass over intermediary services which are inevitable in traditional trade, so the manufacturer is able to face customer directly, as well as boosting profit and reducing product price. However, the Chinses domestic e-commerce market begins to saturate, Chinese enterprises are seeking a new foreign market in order to avoid intense competition in

domestic market.

The rapid growth of Chinese e-commerce is challenging the domestic traditional industries. Tian He and Xiaohan Hu (2016) pointed out China's e-commerce leads a decline in sales and a drop in the gross profit margin of the Dalian Wanda Group's physical department stores. Their research states that the popularity of e-commerce is not conducive to Chinese physical department stores. Tmall's sales revenue on November 11, 2014, was RMB 57.1 billion, which exceeded one-third of Wanda's annual revenue.

All these facts drive the scholars to find out the specific features of Chinese e-commerce and how these features influence their performance in the global market. They have used a variety of methods to researched from various aspects in this field.

In the study of cross-border e-commerce platforms, Zhang K and Huang L (2015) Based on DeLone & McLean's e-commerce success model and Ma-OWA operator, a cross-border e-commerce platform selection evaluation standard system was established to study the choice of cross-border e-commerce platforms for Chinese SMEs. Wanxin Xue, Dandan Li and Yilei Pei (2016) emphasize the importance of the rational market position, building the value chain carding and supplement and training young backbone of the business to start the cross-border e-commerce platform well and occupy the terminal markets.

The Chinese e-commerce is strongly supported by the Chinese government. There are study research about the policy and regulation both in and outside China. Expand a series of national policy will progressively solve the bottleneck problem of cross-border e-commerce, namely clearance, settlement, invoicing, logistics, financing, taxation, explore new markets in order to avoid barriers to trade (million new studies, 2016).

E-commerce drove economic development is a part of the vision of the Chinese government to increase efficiency and promote economic development (Fatima A, 2017). Dev Lewis (2017) analyses the Chinese Internet companies' operations in Southeast Asia and the related policies to point out that China's engagement with ASEAN on cyber issues is comprehensive, including building digital connectivity, e-commerce, cyber security, entertainment, etc. China's Internet companies very early on identified and moved to tap the potential of the region, and the CPC has since caught up and is creating a platform to encourage them to deepen this engagement.

China has special logistics industry, not only because its development conditions are imperfect, but also because it is necessary to take into account some typical cultural attitudes when operating in China, for example, the concept of Guanxi (relationships) (Giuffrida M, 2017). Logistics is one of the most important business components of e-commerce companies. There are plenty of studies focused on this topic. In e-commerce, service quality is increasingly valued, especially service in the third-party logistics industry (Giuffrida M, 2017). He states that in order to make

cross-border e-commerce more effective, companies should consider establishing partnerships with existing third-party logistics service providers. Ideal locations include Hong Kong and Taiwan and the degree of integration with mainland China is also important.

Payment, as another crucial business component, is also researched. Wang Shuai (2015) used the PEST analysis to make a detailed comparison of AliExpress and Amazon's cross-border e-commerce payments, and pointed out that AliExpress and Amazon's payment problems such as the buyer's account's identity information's credibility caused payment risks, due to money laundering problems and logistics factors, due to the fact that the goods did not reach the buyers, the platform could not send the payment to the sellers, the payment problems caused by foreign currency settlement, the payment problems caused by the policies of different countries, etc. And propose improvements. Hu Leifang (2016) used comparative analysis to compare the payment evaluation system of AliExpress and eBay, the difficulty and cost of membership applications, and the operating costs, to identify the competitiveness of the two platforms, and concluded that eBay's credit evaluation system was relatively complete in the early days. But the membership application threshold and platform operating costs are higher than AliExpress.

The ecosystem is paid special attention to when Alibaba Group is the research object. Wen-Chun Tsai (2016) analyzed the emergence of Alibaba Group from a business ecosystem perspective and pointed out that the business ecosystem is a benefit for both keystone players and the other participants in the system. He also states that Alibaba group considers and manages the specific conditions of China e-commerce market. With the growth of China's e-commerce market, Alibaba's case is a good example of other companies establishing e-commerce business in emerging markets.

In addition, to study Chinese e-commerce companies from specific dimensions, some scholars have analyzed and summarized the characteristics of China's e-commerce industry and internationalization of these enterprises from a more comprehensive perspective.

Chen Min, Shen Cwen and Zheng Y (2016) reveal the characteristics of International Development of E-Commerce Enterprises in China: 1) Scale, orderly, a brand of the online market system is gradually formed; 2) International payment instruments take shape; 3) Unbalanced development aspect is reflected in this enterprise and individual. The features of China's export cross-border e-commerce are the large-scale and rapid growth in export transactions, strong international demand for Chinese commodities, the gradual maturity of its platform, the linearization of intermediate links and low entry threshold to small and medium enterprises (Zhang M, 2016).

Zhang M (2016) studies the DHgate - the first website that offers online cross-border transaction services for SMEs in China. He finds the evidence for success are employing

professional talents and innovating marketing methods, emphasizing intellectual property and cooperating with high-quality enterprises and taking advantage of favorable national policy and developing diversified payment methods. The deficiencies of DHgate's e-commerce system are over-reliance on third-party payment platform and imperfect credit evaluation system and high-cost logistics.

Huo D, Ouyang R (2018), on the basis of research on Chinese e-commerce companies, state the enterprise-level factors that influence the internationalization of e-commerce companies in emerging markets. They found that the larger firm size, the higher concentration of ownership, high financial leverage, lower-paid Chinese e-commerce companies prefer to participate in international strategy.

In summary, based on the literature review the specific features of Chinese e-commerce firms in terms of international strategy can be summarized as followings. The Chinese export cross-border e-commerce is the large-scale and rapid growth in export transactions. The scale, orderly, brand of the online market system is gradually formed. The business support platforms have taken shapes, such as international payment and logistic; they are gradually forming the value chain and the business ecosystem. But the development is identified unbalanced reflected in enterprise and individual level. The foreign market attractiveness is high as there is strong international demand for Chinese commodities.

Besides, corporate-level factors also influence decisions of pursuing an internationalization strategy, such as firm size, ownership concentration, the level of financial leverage. And most importantly, the capability of entrepreneur reflects on how they employ professional talents, emphasize intellectual property and train young backbone of the business. One last crucial feature is they are good at taking advantage of the favorable national policy.

As for business strategy and entry strategy, Chinese e-commerce firms have a lower cost compared with foreign companies, cooperate with high-quality enterprises and they also innovate marketing method. These strategies can be summarized as cost leadership strategy, strategic leadership and differentiation strategy (Porter, 1980).

2.5 Summary and research gap

The literature review starts from going through the basic international theories and then focus on the phenomenon of Born Globals, its main characteristics, types, competitive advantage. Then review the international strategy in emerging market and specifically in the Chinese emerging market. Next, the internationalization strategy of e-commerce firms and features of Chinese e-commerce firms are analyzed. In conclusion, previous studies have addressed features and development of Chinses e-commerce from specific dimensions, such as payment and logistics, and

summarized the characteristics of China's e-commerce industry, but there is still room for further research that studies the influence of internal and external factors in the entry methods, business strategy, and the performance of Chinese e-commerce firms from the aspect of internationalization strategy.

Once the specific features, business strategy, entry modes and research gap are figured out, in the next part the research framework of the current thesis will be discussed.

2.6 Research framework

Alibaba Group is a born Global company, so it is important to use the framework of the international performance towards Born Global to analyze it. Gerschewski et al. (2014) studied Born Global's international performance drivers. They pointed out several factors affect the company's international performance. They are international entrepreneurial orientation, learning orientation, market orientation, product/service quality; network relationships; business strategies; host market environment (Figure 1).

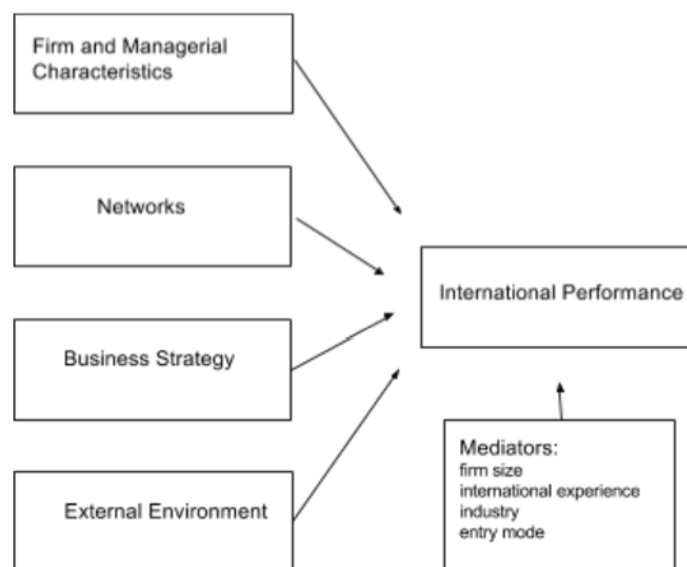


Figure 1. Model of drivers of international performance (Gerschewski et al., 2014)

This study aims to provide an overall and multidimensional perspective on the internationalization process of Chinese e-commerce companies to determine the characteristics of internationalization of such companies. Adopted Model of drivers of international performance (Gerschewski et al., 2014) and based on the specific features, business strategy and entry modes of Chinese firm's internationalization found in the literature review in the former parts, the research framework of this thesis is created as below.

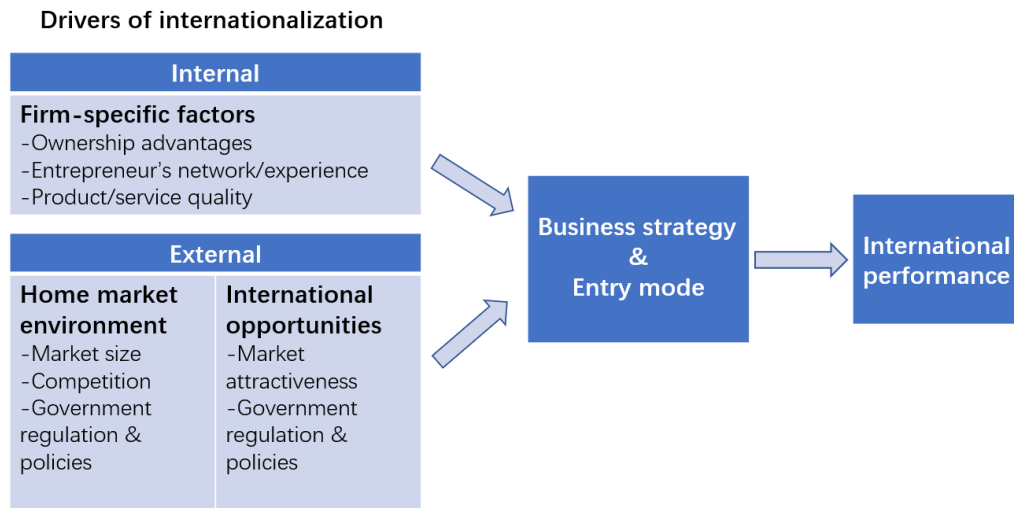


Figure 2. Research Framework of the study. Source: own creation

This framework focuses exclusively on the drivers of internationalization or what triggers e-commerce companies to become globalized and why they can achieve this goal. The choice of enterprise strategy and entry mode depends on the internal capabilities of the company and the external factors of the host market environment. Besides, the enterprise can use its ability abroad in the most efficient way. These choices will ultimately affect the company's international performance.

Drivers of internationalization consist of two sub-groups: internal drivers and external drivers. As for the first sub-group, it has all the factors specific to the focal firm such as its competitive advantage, characteristics of the product and the entrepreneurial experience, in other words, the firm-specific factors that can be exploited in the foreign market environment. The second sub-group involves the home market environment that influences the firm's internationalization as well as the environment of the foreign market or the international opportunity that they offer to the internalizing firm. The next block concerns the business strategy and the entry mode that the company chooses to tap into the advantages of overseas markets with its specific advantages. Finally, the way the company is able to exploit its advantages through the business strategy determines its international performance. Below the more specific explanation of the building blocks is provided.

Firm-specific factors:

The firm-specific advantages that can be exploited more beneficially in the foreign environment represent the firm's driver to internationalize. Business ecosystem model, Unique technology and Strong brand, Entrepreneur's network and experience and Product/Service quality are chosen to analyze the firm-specific factors of our case.

Business ecosystem model, Unique technology, and Strong brand: they are firm's tangible and intangible resources that enable the company to generate future income and which its competitors do not possess.

Entrepreneur's network and experience: The entrepreneur of Alibaba- Jack Ma and Alibaba's top management team are followed by the media and its customers. They play important role in the global expansion decision.

Product/Service quality: Gerschewski et al. (2014) identify product/service quality, entrepreneurial orientation, market orientation, and learning orientation as the characteristics that affect the firm's internationalization.

External drivers of the internationalization-home market environment:

As the home country conditions affect the probability of a firm to internationalize, the niche domestic market, Competition and Government regulation and policies will be considered in this sub-group.

The niche domestic market: the market size will help us understand Alibaba's domestic situation and find out whether it is one trigger for it to seek new markets.

Competition: This factor is useful to identify Alibaba's competitors and whether it drives Alibaba to take the early mover advantages in the global market.

Government regulation and policies: As mentioned before in the literature review, Chinese e-commerce firms are good at taking advantages of the policy of Chinese government. The scanning of the related regulation and policy allow us to understand how they influence Alibaba's decision of internationalization.

External drivers of internationalization-international opportunity:

The foreign market attractiveness is significantly high for Born Globals, especially in relation to the unattractiveness of home market.

Market attractiveness: The foreign market attractiveness is one comparison factor of the domestic market size. They should be considered at the same time.

Government regulation and policies: The supportive domestic regulation environment boosts the development of the company, while in the foreign market the company needs to be cautious about the risks. Therefore, the regulation and policy of host market and the alliance of home country and host country need to be focused.

Business strategy and entry mode:

Porter (1980) states three general strategies: cost leadership, differentiation, and focus strategy. Cost leadership means that the company tends to become the lower-cost player in the market. A

firm pursuing the differentiation and localization strategy compete by emphasizing the uniqueness of the product/service. Since some countries Alibaba operates in are far away from China and their e-commerce environment is also diverse, analyzing the cooperation with local companies will provide us the hint of entry mode. So, in order to get to know better about Alibaba's business strategy and entry mode, in the empirical part, cost leadership, strategic partnership, differentiation, and localization will be paid attention to.

To sum up, drivers of internationalization of Alibaba Group will be analyzed from the internal and external aspects. The internal drivers are defined as five dimensions: the Business ecosystem model, Unique technology and Strong brand Entrepreneur's network, experience and the Product/Service quality. The external drivers are home market environment which is presented by the niche domestic market, Competition, Government regulation, and policies. The external drivers of internationalization come from the international opportunity are Market attractiveness as well as Government regulation and policies. Then research will focus on the business strategy and entry mode Alibaba chose when to operate abroad, such as cost leadership, strategic partnership, differentiation, and localization. And generate how they lead to the Alibaba's international performance.

3. EMPIRICAL STUDY: INTERNATIONALIZATION STRATEGY OF CHINESE E-COMMERCE COMPANIES

The following chapter will introduce the research method used in the master's thesis and give the results of empirical research. The qualitative research method is used to answer the research question. The single case study with embedded units is the research strategy of this thesis. First, this chapter will give more detailed information about this research method. Secondly, Alibaba Group will be analyzed from the perspectives of external and internal drivers of internationalization, selection of entry modes, and strategies for the host market.

3.1 Case study methodology justification

Case studies are "an empirical study of certain modern phenomena in a real-life environment using multiple sources of evidence" (Robson, 2016). Case studies allow us to understand a complex problem or object, and we can expand our experience or add to known examples from previous research. The case study highlights a limited number of events or conditions and their relationships detailed contextual analysis (Soy, 2010).

In the empirical part, the case study method was selected as a research strategy for analyzing the internationalization strategy of Chinese e-commerce companies. The conclusion drawn from the literature review on the theme of internationalization is that external factors play an important role in the internationalization of the company. Therefore, the case study method in this study is appropriate because it considers the background conditions and examines the internationalization of e-commerce companies.

Qualitative research can provide insight into the phenomenon or process being studied, as well as the understanding of the phenomenon or process, from the perspective of the analysis of the subject. In our case, Alibaba Group will be analyzed from the perspective of the international expansion. In this case, the embedded unit is a different area where Alibaba operates. By comparing and analyzing Alibaba's strategies in different geographical contexts - Russia and Southeast Asia - it will provide an opportunity to get similarities and differences in its strategic models and determine the external environmental factors that affect them.

3.2 Data collection process and analysis

Secondary data will be used to analyze the single case study for this study, which is mainly due to the exhaustive information from multiple sources on the international business of Alibaba Group.

Because of the usefulness of secondary data (Atkinson and Brandolini 2001; Poulis et al.2013), we used industry-specific surveys and reports such as ValueLine, Marketline, Standard & Poor's Industry Surveys, consultancy reports, market research reports, newspapers, periodicals, industry conference record and Web-based information (see The Wall Street Journal, The Economist, Financial Times, Fortune, The New York Times, Statista, Yahoo Finance, Alibaba official websites, company official Weibo post, etc.). Alibaba has received attention from global media, experts and scholars because of its high valuation and rapid expansion. Therefore, there are many reports on the its internationalization and management decisions. All these secondary data play a significant role in overview the Alibaba Group and finding the drivers of its internationalization and strategy.

In order to be more critical, data was gathered from both English and Chinese resource in English and Chinese language. The Chinese resource includes www.iresearch.cn, www.cifnews.com, www.cnki.net and many others. In addition, the founder of the Alibaba Group - Jack Ma - he is willing to share his opinions, ideas and the company's development decisions. So a lot of records of his interview can be found.

And the interview records of the new Lazada's CEO Peng Lei's, Zhang Yong, CEO of Cainiao Network and Huang Hao, president of the overseas business of Alibaba Mobile Business

Group are also analyzed. It's helpful to get a better understanding of the top management team's entrepreneur experience and Alibaba's business ecosystem model.

In order to get insights of Alibaba strategy in Russia, understand components of the business model, strategy, regulations in e-commerce sphere and attractiveness of the market. The interview record of Ivan Terkunov - the sales manager of Alibaba in Moscow office in 2017 was used (Aleksandrova, 2017).

When studying the major Chinese Internet companies' operation in Southeast Asia, such as the sale of their products or investments, there is no comprehensive database that contains all the information. Instead, the information was gathered from a combination of company press releases, media reports, and verified where possible with the American Enterprise Institute and Heritage Foundation China Investment Tracker, and Crunchbase.

After the data collection is completed, the analysis process begins. The case study analysis process in this study consists of two parts. First, provide a detailed company profile, history, and business model. Second, a comparative analysis of these embedded sub-units (regions) is the international expansion of Alibaba in Russia and Southeast Asia. It determines the company's business strategy and entering strategy in foreign markets. To ensure the quality of the studies, the framework of internationalization and entry strategies that have been identified will be applied. Therefore, the next chapter focuses on the discussion of case studies.

3.3 Overview of Alibaba Group

Alibaba Group Holding Co., Ltd. is a Chinese multinational e-commerce, retail, Internet, artificial intelligence and technology group, composed of 18 people led by Jack Ma in Hangzhou, China in 1999. Alibaba Group's main business operations include Taobao, TMall, Juhuasuan, 1688.com, AliExpress, Alibaba Cloud, Ali Mama, Ant Financial and Cainiao Network etc. (Alibaba, 2018). It provides C2C (consumer-to-consumer), B2C (business-to-consumer) and B2B (business-to-business) sales services via web portals. In recent years, the company has gradually expanded its business into Internet finance, cloud computing, O2O business, wireless applications, and multi-cultural industries (Figure 3).

It tries to build an e-commerce trading platform that connects SMEs and the majority of internet users (Alibaba, 2018). Through this platform, businesses and customers can efficiently and effectively conclude deals at a very low transaction cost; SMEs and shops can overcome the difficulty of setting up physical stores, marketing, and sales channels with limited funds; the majority of internet users can also enjoy convenient and fast shopping experience without leaving the house through their platform (Alibaba official website). Alibaba has changed China's

commercial economy with practical actions and has become a famous brand of global e-commerce, and it is also the world's largest online trading market and business communication community.

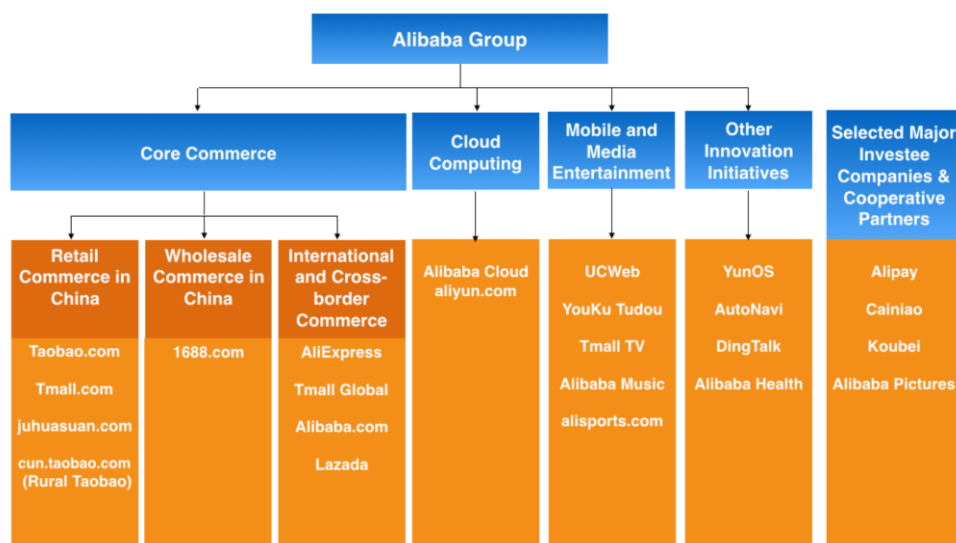


Figure 3 Alibaba's businesses. Source: Google images

3.3.1 Timeline of Alibaba

Alibaba was founded in 1999. In May 2003, Alibaba established Taobao.com and started the B2C business. In December 2004, Alibaba established Alipay, a third-party payment platform. In April 2008, Alibaba established Taobao Mall, which later evolved into Tmall.com, which specializes in providing factory and retailers with its own brands and offline stores. Since March 2010, Alibaba has opened up the group-buying market service through Juhuasuan; in April of the same year, established AliExpress to enter the cross-border e-commerce market; in July and August of the same year, Alibaba acquired two US companies-Vendio and Auctiva, involved in e-commerce consulting services, software and tools services market (Alibaba, 2018; American Enterprise Institute, 2018).

In June 2011, Alibaba reorganized Taobao, splitting Tmall and Juhuasuan, resulting in a flatter internal organizational structure. In July of this year, Alibaba Cloud Computing launched the first self-developed mobile operating system, Aliyun OS, using the K-Touch Cloud smartphone. In September 2012, Alibaba Group completed the first purchase of shares from Yahoo! in the restructuring of these companies. AliExpress entered the Russian market (Forbes, 2012). In 2013, Alibaba Group and some logistics companies jointly set up the Cainiao Network, launched the Alibaba Smart TV Operating System, and officially built its mobile social networking application.

In February 2014, Tmall Global was officially established as an extension of Tmall to enable international brands to provide products directly to Chinese consumers. In July, Alibaba Group and Intime Group formed a joint venture to carry out O2O business in China. On September 19, 2014, Alibaba's stock (BABA) began trading on the New York Stock Exchange (Fortune, 2014).

In October, Alibaba Financial Group, which operates Alipay, was formally established. Taobao Tourism has become an independent platform, Alitrip, and is now known as Fliggy.

On February 2, 2015, Alibaba announced that it had acquired a minority stake of US\$590 million in Meizu, a Chinese smartphone maker. On March 30, 2015, Ma Yun met with Prime Minister Narendra Modi and discussed the plan of Alibaba Group to help Indian small businesses. The sales of Alibaba's single day in China on November 11, 2015, reached US\$14.32 billion, an increase of 60% from 2014. Alibaba Group and Youku Tudou announced the final merger agreement.

In April 2016, Alibaba announced that it intended to acquire a controlling interest in the privately held Lazada Group, the "Amazon of Southeast Asia", by paying \$500 million for new shares and buying \$500M worth of shares from existing investors (NYtimes, 2017). In July, Alibaba Group launches OS'Car, the first YunOS-enabled, mass-produced internet car, in collaboration with SAIC Motor Corp.

In April 2016, Alibaba announced that it planned to acquire a controlling stake in the privately held Lazada Group of "Southeast Asia Amazon" by paying US\$500 million in new shares and purchasing US\$500 million worth of shares from current investors (NYtimes, 2017). In July this year, Alibaba Group and SAIC Motor launched the first YunOS functional mass production Internet model OS'Car.

In January 2017, The International Olympic Committee and Alibaba Group jointly announce a long-term partnership through 2028. In June, Alibaba Group officially launches Tmall World, an initiative to serve the 100 million-strong overseas Chinese market worldwide and increased its stake in Lazada Group from 51% to approximately 83% (Alibaba, 2018). In September 2017, Alibaba's Ant Financial unveiled a facial recognition technology that allows a customer to pay by flashing a smile, through its Alipay services. In October 2017, the company acquired EJoy and created a gaming division to develop new games in-house to compete with Tencent.

On February 5, 2018, Wanda Group announced that Alibaba Group and Wentou Holdings Co., Ltd. had entered into a strategic investment agreement with Wanda Group in Beijing. Alibaba and Wentou Holdings acquired Wanda Films held by Wanda Group for RMB 51.96 per share.

On February 5, 2018, Wanda Group declared that Alibaba Group and Wentou Holdings Limited have signed a strategic investment agreement with Wanda Group in Beijing. Alibaba and Wentou Holdings acquired Wanda Films held by Wanda Group for RMB 51.96 per share. 12.77% of shares (Forbes, 2018). Among them, Alibaba invested 4.68 billion RMB, Wentou Investment contributed 3.12 billion RMB, and it became the second and third largest shareholder of Wanda. Wanda Group is still the controlling shareholder of Wanda Films and holds 48.09% of the shares. In March 2018, Alibaba strengthened its relationship with Renault, the French car manufacturer.

The expanded partnership is the result of Renault's desire to increase sales in the Asia Pacific region and is more concerned with China's sales. On April 2, 2018, Alibaba Group, Ant Financial Group and Ele.me announced that Alibaba has signed an acquisition agreement to complete the acquisition of a total of 9.5 billion U.S. dollars of Ele.me.

3.3.2 Business model.

From FY 2017, Alibaba's businesses were divided into four segments: e-commerce business operation platform, Cloud computing business, digital media entertainment business and innovation and other businesses (Alibaba, 2017).

The main source of income for Alibaba is still the core e-commerce business, and other businesses have great growth potential. In FY 2017, the revenue of the e-commerce sector was RMB 133.9 billion, accounting for 85% of the total revenue (over 90% of the total for 2015 and 2016 fiscal years). Other business segments are also in a period of rapid growth. Cloud computing business increased by 121% to RMB 6.7 billion in the fiscal year 2017, digital media entertainment business revenue increased by 271% to RMB 14.7 billion, and innovation and other business income increased by 65% to RMB 3 billion. The three core businesses are essential parts of Alibaba's ecosystem. They not only contribute Alibaba's core e-commerce services but also hope to become the future revenue growth points for Alibaba.

The business model canvas below shows the graphic representation of Alibaba's business model (Figure 4).

Key Partners <ul style="list-style-type: none">• Banks• Governments• Media• Parcel services• Companies and affiliated entities• Subsidiaries• Taobao Marketplace• Tmall• Rural Taobao program• Juhuasuan• 1688.com• AliExpress• Alitrip• Transport providers• IT cloud companies• Yahoo!China• Joint Ventures (Dalian Wanda Group, SAIC...)• Acquisitions	Key Activities <ul style="list-style-type: none">• Business identities• E-credit lines• Engineering• Customer service• Payment processing• Logistics• Shipping• Branding• Innovation• R&D• IT infrastructure maintenance Key Resources <ul style="list-style-type: none">• Big data• E-commerce platform• Alibaba Cloud computing platform• Network of subsidiaries• Market size• Shopping technology• Cloud computing services• Intellectual Property• Recommendation algorithms• Companies and affiliated entities• Employees	Value Proposition <ul style="list-style-type: none">• To make it easy to do business anywhere• To enable business to transform the way they market• Open and collaborative e-commerce ecosystem• Range of products• Trading functions (auction real time negotiation)• Electronic payment services• The company also provides pay-for-performance and display marketing services through its Alimama marketing technology platform• Alibaba Cloud Computing platform services• Digital Media and Entertainment services• Roewe RXS (its first "internet car" in collaboration with SAIC)	Customer Relationships <ul style="list-style-type: none">• Consumer-to-consumer• Business-to-consumer• Business-to-business sales services via web portals• Online auction hosting• Online money transfers• Mobile commerce• Automation• Sell-service• Customer assistance• Switching cost• Price based• Online• Personalized service• Forum and events• Same-side and Channels <ul style="list-style-type: none">• Websites• Subsidiaries• Affiliates• Apps• Payment systems• Media• API• PR	Customer Segments <ul style="list-style-type: none">• Massive• Multi-sided• Digital shoppers• Wholesalers• Exporters• Importers• Companies and Individuals
Cost Structure <ul style="list-style-type: none">• Acquisitions• Joint ventures• Marketing• Data centers• Logistic costs• Payment processing costs• Warehouses• Employees• Legal• Traffic• Taxes• Economies of scope• Economies of scale• Shipping cost• Fulfillment• Technology		Revenue Streams <ul style="list-style-type: none">• Retails sales• Commission on reseller sales• Subscriptions• Value added services• Listing fees		

Figure 4: Alibaba's Business Model Canvas. Source: composed from various sources

Since the e-commerce business is the main revenue resource of Alibaba and the cross-border e-commerce business represents about its international behavior, we focus on the business model of the cross-border e-commerce businesses:

3.3.2.1 Cross-border e-commerce business operation platform

It includes cross-border B2B e-commerce service platforms 1688.com and Alibaba international trading market, which focuses on B2B platform services; TMall Global, which focuses on providing services for the brand retailers on the B2C market; B2C platform AliExpress, which dedicates to building a global cross-border online retail platform; C2C platform-Taobao Global Purchase. Their objectives, transaction features, sessions and representative platforms are in Table 1:

Model	Transaction objectives	Transaction features	Transaction processes	Representative platforms
B2B	Firm and firm	High volume, small batch, concentrated orders	Chinese factory→ foreign wholesalers→ foreign retailers→ foreign consumer	Alibaba.com; 1688.com
B2C	Firm and consumer	Small volume, big batch, scattered orders	Chinese factory→ (foreign retailers) →foreign consumer/ Foreign factory→ Chinese consumer	AliExpress; LAZADA; TMall Global
C2C	Consumer and consumer	Small business transactions	Chinese consumers→ foreign consumers	Taobao Global; Purchase

Table 1: Three main modes of Alibaba's cross-border business platform. Source: own creation

3.3.2.2 Business support platform

Alibaba Group's business support platforms include Alibaba Cloud, Ali Mama, some software and the logistics network. Alibaba Group set up Alibaba Cloud, mainly for research and development in the areas of cloud computing, cloud storage, and big data (Crunchbase, 2018). Alibaba Cloud's cloud computing, cloud storage, and data processing capabilities have successfully supported Taobao's "Double 11" campaign, enabling hundreds of millions of Internet users to access the online shopping platform and conduct transactions at the same time. In terms of search technology, Alibaba Group purchased Yahoo China in 2005 and fully developed Yahoo's search engine technology, setting up its own search site Alibaba Cloud Search. Ali Mama is a C2C advertising trading platform serving small and medium merchants on Taobao. Unlike Taobao, which deals in physical goods, it trades ads. Alibaba trademanager is a representative product of Alisoft and is an instant messaging software for Taobao products and customer service. With the development of Alibaba's support business, the payment model on the international station has been completely transformed into a completely online transaction model, which has experienced leaps and bounds. Cainiao Network, China's intelligent logistics backbone network owned by Alibaba, its main market objective is to provide information consulting services for logistics information and supply chain management information for SMEs that do not have a self-supported logistics system.

3.3.2.3 Financial platform

The financial platform is represented by Ant Financial Services Group, its market goal is to provide financial services for small and micro enterprises and end consumers. It includes Alipay, Alipay Wallet, Yuqinbao, Zhaocaibao, Ant Micro-loan and Sesame Credit etc. (Crunchbase, 2018). Currently, Alipay is the leading third-party payment platform in China. It was originally created

as a third-party secured transaction (QianYang, 2017). Through its strategic cooperation with commercial banks, financial institutions, online merchants, and offline stores, its coverage has become increasingly broad, the scale of the transaction is also growing. In response to the idle funds of individual retail customers in Alipay accounts, Alipay also provided balance value-added services-Yu'eobao. The accumulated funds are mainly invested in monetary instruments, which are relatively safe and liquid, and are flexible and have high returns. The interest rate is higher than the bank's regular interest rate. In order to better carry out this business, Alibaba Group acquired the controlling equity of Tianhong Asset Management Co., Ltd and invested Yue Bao in Tianhong's Currency Fund.

In order to meet the needs of the international market, Alibaba International is compatible with multiple payment methods, such as common credit cards, cheques, etc. In addition, from the viewpoint of international cooperation in online payments, payment is docked in Russia with WebMoney, QiWi Wallet, and in Brazil with Boletto. These payment methods have the advantages that Alipay does not have in cross-border payment and settlement.

3.3.2.4 Other businesses

With the continuous innovation of the Internet industry, Alibaba has been hit by other Internet companies led by Tencent and Baidu, the other two Internet giants in China. Alibaba Group began to get involved in more mobile internet businesses and expand the group's business scope, such as social software, Internet maps, Internet travel, local life service platform, browsers and other areas, including participation in the development or share of Sina Weibo, Gaode maps, Didi Dache, Meituan-Dianping, UC browser and so on. Alibaba is also making effort in developing entertainment services, such as Ali Music, Youku Tudou, Alibaba Pictures (Liza Lin, 2017).

In summary, Alibaba has extended its tentacles to an ecosystem around e-commerce services such as payments and logistics. At the same time, they also provide other services - such as games, take-away and communication services - to attract consumers firmly into their applications.

3.4 Alibaba's international expansion: drivers of internationalization

3.4.1 Analysis of firm-specific factors

For Alibaba, its intangible assets are the firm-specific advantages. The unique business model, technologies, and innovations are the main ownership advantages for the internet-based company as Alibaba. Other advantages associated with the company's well-known brands as well as the humanized services, the entrepreneur's network and experience

Alibaba's business ecosystem model makes easier operate a business in China and other countries. The synergy of e-commerce business operation platform, the business support platform, financial, logistic platform and the other related businesses formulate the unique business model of Alibaba Group and makes it easier to innovate the business model to enter new geographic markets and client segments (Marketline, 2018). Business ecosystem leaders can control dynamic drivers through value sharing and create greater efficiency. With this advantage, the platform can continue to expand and gather more business ecosystem participants to achieve the purpose of innovation, make the business ecosystem have more competitiveness and sustainability. Besides, Alibaba's e-commerce website has excellent page designs (Crunchbase, 2018). With the company's positioning as a service for small and medium-sized enterprises, Alibaba has developed a simple operation function that allows people to know how to operate and learn what they will do. The other aspect is a perfect function. In Alibaba's assistant's page, it enriches the need for companies to do online promotion. The business ecosystem model also ensures the ability to innovate the business model to tap into new geographic markets and client segments, such as the B2B platform-Alibaba.com and the B2C platform-AliExpress and the LAZADA.

Another feature of Alibaba is that it differs from other competitors in its unique technology - *the Cloud computing technology*, that allows generating insights and value from the data as well as the personalized recommendation function. Although Alibaba has a lot of information, it handles page processing and information processing smoothly, so it does not give people a sense of chaos because the theme is clear and the focus is prominent. The astonishing trading volume that constantly refreshed world records during the "Double 11" period was supported by this kind of infrastructure. According to He Yunfei, Alibaba Cloud's "Double 11" captain and senior product expert, in order to prepare for "Double 11", Alibaba engineers built the world's largest hybrid cloud architecture, which directly switches part of Taobao and Tmall's core trading chain and Alipay's core payment chain's traffic to Alibaba Cloud's public cloud computing platform (Alibaba, 2018). From a technical point of view, this move made every year's "Double 11" actually become the world's largest practice of hybrid cloud elastic architecture, and Alibaba itself has become the world's first large-scale internet companies which put the core trading system on the cloud. Alibaba also uses the Big data analytics (BDA). It transforms data into insight through the use of people, processes, and technology to make powerful decisions and solutions for business problems, thereby providing e-commerce companies with more and more value.

A strong and well-known *brand* is another ownership advantage of Alibaba Group. The company invested heavily in brand building. Alibaba can not only get attention on social networks but also can attract the attention of the news media. The news of rapid growth and overseas investment and acquisition activities also stimulated the outside world's interest in the company

and its brand. Statistics show Alibaba Group's advertising and promotion expenses from 2014 to 2017. In the fiscal year ending March 31, 2017, Chinese e-commerce company Alibaba invested 8.8 billion RMB in advertising and promotion (Statista, 2018). In recent years, Alibaba's brand has become more well-known, mainly due to the improvement of product quality and service level. Increasing number of foreigners are willing to purchase Chinese products through Alibaba's e-commerce platform, not only because of their high quality and low price but also because of their faster logistics and easier return service.

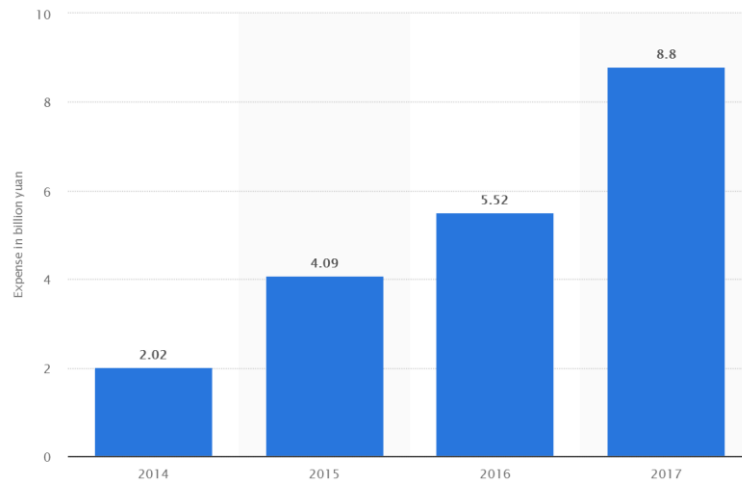


Figure 5: Advertising and promotional expenses of Alibaba Group from 2014 to 2017 (in billion yuan) (Statista, 2018)

In addition, *humanized service* is another major feature of Alibaba, from the humanized page, function operation, forum, to offline and after-sales service. The enthusiasm guides companies to access the Internet because many companies are doing online e-commerce for the first time, so they do not know much about online e-commerce and operational processes. In response to this problem, Alibaba has humanized guidance services such as telephone guidance and online and offline trade training. Through various means, enterprises have made great profits on the Internet and prevented some enterprises from seriously losing their results because they did not understand online operations and did not obtain results.

Another ownership advantage of Alibaba Group is the *entrepreneur's network and experience*. The Alibaba Group was founded by Jack Ma in 1999 and served as the CEO and Chairman of the Board of Directors. At that time, the entire company had a total of 18 people. Before founding Alibaba Group, he was only a lower-paid English teacher (Crunchbase, 2018). His road to success can be described as starting from scratch. He did not have a lot of money and also did not have knowledge of computers. But the whole group can go to where it is today, it depends on his sensitivity of the changing sense of the times, forward-looking layout capabilities, the ability to

incite resources and the ability to guide the ability. In recent years, Jack Ma has frequently met with political leaders of various countries including President Donald Trump of the United States, Deputy Prime Minister Somchai of Thailand, Russian President Vladimir Putin, etc.(Alibaba, 2017) They hope that through cooperation with Alibaba Group in the field of e-commerce and other areas, increase product sales, increase jobs, and then solve employment problems. Jack Ma was replaced by Jonathan Lu in May 2013. Lu has worked with the company for thirteen years. (Economist 2013a; Osawa and Mozur 2013). This is considered as a major development in Alibaba's listing of new business plans and new initiatives on the New York Stock Exchange.

In order to better plan the integration of global strategies and coordinated implementation across Alibaba, Ant, and Newbie, Alibaba decided to formally establish the "Alibaba Globalization Leading Group. The group includes several foreign members. Besides, there several foreigners in the top management team. For instance, Alibaba appointed former vice president of Goldman Sachs Evans as president of the company, responsible for international affairs in 2015.He has actively promoted the listing of Alibaba.

To sum up, the innovative business ecosystem model, the cloud computing technology, well-known brand, humanized services along with the entrepreneur's network and experience ensure the company get more revenue in its home country- China and transfer these ownership advantages to the international market to lower the entry barriers.

3.4.2 Analysis of external factors of the domestic environment

In this case, we assumed that the incentive for internationalization originated from the external environment of the domestic market of Alibaba Group, which incentivized enterprises to use their ownership advantages in foreign markets, while the advantage of the overseas market was superior to that of staying in the domestic market.

Niche domestic market. Although Alibaba has hundreds of billions of sales, behind this growth pressure has begun to show up. Even though the flow of the annual climax of e-commerce traffic "Double 11 Shopping Carnival" is also waning. According to every year's Alibaba "Double 11" transaction data, the growth rate of the platform's total transaction volume has picked up slightly this year, but it has been continued to slow down in continuous 4 years. At the same time, the "Double 11" keyword Baidu (the biggest search engine in China) search index fell for two consecutive years. "Whether it is a large platform or a small platform, it is facing a crisis of depletion of traffic." A senior domestic e-commerce executive said that the Internet traffic bonus period has passed.

Besides, the data also show that Alibaba's market share is slightly decreasing. According to the Syntun's data (Xinhuanet, 2017), in 2017, the total sales of "Double 11's" the total sales of

all the e-commerce platform in China reached 253.97 billion RMB, resulting in 1.38 billion packages. In terms of 2017 Double 11 sales, TMall.com sales accounted for 66.23% of the entire 253.97 billion RMB. The Syntun's data in 2016 showed that the sales volume of "Double 11" on the day was 177.04 billion RMB, and TMall/Taobao accounted for 68.2%. Therefore, according to the data, comparing the data of 2016, the volume of 2017 Double 11 transactions in the whole network increased by 43.45% compared with the same period of last year. Among them, TMall/Taobao was 168.2 billion, an increase of 39.35% over the same period of last year, but its market share decreased by 2%.

All of these facts indicate that the demographic dividend in the Chinese market which Alibaba constantly rely on is slowly disappearing.

Competition. Currently, Alibaba Group's major competitors in China are Tencent, Jingdong, Vipshop and other e-commerce platforms. These platforms have their own business focus, but they are in good shape. The "Eastern Bureau" of the 2017 Wuzhen Internet Conference had another name – "Anti-Ali Alliance". At the beginning of this dinner, Liu Qiangdong, founder, and CEO of Jingdong Group spent a lot of time "criticizing" Alibaba because Alibaba's resistance to JD's apparel category was extremely fierce. Not only Jingdong, Tencent's anxiety in the second half of last year was significantly deepened. Alibaba played radically in the new retail sector, while Alipay and his reputation grew rapidly this year, which put pressure on WeChat payment and small programs. For Tencent, if they do not grasp business, they have no pricing power on the realization of traffic. If they do not make new retail sales, the overpayment portal, data, and traffic portals will all be affected by Alibaba's growing new retail business.

To compete with the strong Alibaba, Tencent is supporting Jingdong, while Jingdong is supporting the Vipshop. While other companies are adhering to the idea that the enemy's enemy is a friend, they are starting to choose the side. To face the unofficial, but already formed "anti-Ali alliance", Alibaba's domestic situation is not optimistic.

Besides the traditional e-commerce companies in China who are willing to expand to the international market, there are several cross-border e-commerce platforms have a great reputation and unique advantages to compete with Alibaba in different ways. The representatives of them are DHgate.com and lightinthebox.com.

Government regulation and policies. In recent years, the development of cross-border e-commerce has attracted more attention of the society and the Chinese government. The Chinese government is actively guiding enterprises to participate in cross-border e-commerce. The promotion of e-commerce platforms has promoted the rapid development of cross-border transaction. There are many means to promote reforms such as the "The Belt and Road" initiative, "Free Trade Area" (FTA), RMB internationalization, China-made 2025, and coordinated

development of the Internet+ and regional economies. The distance between products and markets is shortened by cross-border e-commerce in time and space. This is the main means to make trade more convenient, promote trade development and promote the effective implementation of national policies. The expanding national policies will progressively solve the problems in cross-border e-commerce, namely customs clearance, settlement, invoicing, logistics, financing, taxation, and opening up new markets to avoid trade barriers (Wan Xinxue, 2016).

In the report of the Chinese government's work in March 2015, the “Internet +” action plan was first proposed and the “Internet + Circulation Action Plan” proposed to build and enhance the development of e-commerce in the Chinese economy and to vigorously develop rural e-commerce and industry e-commerce and cross-border e-commerce; further expand the room for e-commerce development; deepen the cooperation of e-commerce and other industries; deepen the popularity of networked production, circulation and consumption; while improving standards, public services and other supporting environmental protection measures. Regarding the online and offline economic integration policy, the government has put forward “opinions”, which include vigorously developing online and offline interactions, promoting business model innovation, and strengthening new economic development drivers.

On March 28, 2015, the Chinese National Development and Reform Commission, the Ministry of Foreign Affairs, and the Ministry of Commerce promulgated the “The Vision and Action for the Silk Road Economic Belt and the 21st Century Maritime Silk Road” together. In Vision and Action, maintaining the smooth flow of trade is one of the key construction projects. The project emphasizes that it is necessary to focus on trade facilitation as an important part of its research and actively establish free trade areas with the countries and regions along the way. At the same time, they must innovate trade methods and focus on the development of new commercial forms such as cross-border e-commerce.

“The Belt and Road” initiative covers more than 50 countries along the route, with 4.4 billion people and 21 trillion in total regional economic output, which accounts for nearly one-third of the total global economic output (2017). The huge market capacity driven by it is evident. In addition, along with the implementation of “The Belt and Road” initiative, cross-border routes such as the Eurasian Continental Bridge and Fuxin-Europe Railway have played an irreplaceable role in foreign trade. As a result, “The Belt and Road” initiative has brought tremendous business opportunities to cross-border e-commerce companies and has become a strong push for the continued development of cross-border e-commerce. Alibaba's export activities have integrated and integrated resources along “the Belt and Road” initiative, realizing the company's connection with the “the Belt and Road” market.

Jack Ma said this when attended the International Economic Forum in St. Petersburg, Russia, “We must establish a platform that can promote the development of small businesses. We talked a lot about the Silk Road and this road must be an electronic road. We need to establish a digital trading center. All the electronic hubs will converge This road, that is to say, this will be a free trade zone for global small businesses, collecting logistics, financing and customs services.” He hoped to build a new silk for e-commerce.

Taking the AliExpress platform that broke through 100 million users not long ago as an example, from 1 million users in 2012 to 5 million in 2013, 17 months in the middle, and from 50 million users in 2015 to a breakthrough of one hundred million, it took only one and a half years (AliExpress, 2018). Behind the explosive growth of AliExpress global users is the comprehensive advancement of the “Belt and Road Initiative” in countries along the route.

3.4.3 Summary

Alibaba’s international decision-making and capabilities depend on several internal and external drivers. Alibaba's internal driving factors are its innovative business model, unique technology, strong brand, humane service, and the founder's experience and international vision, as well as its relationship with political leaders of various countries. Alibaba's business ecosystem model enables companies to generate revenues in the growth of domestic and overseas markets. Alibaba Cloud Technology is the foundation of Alibaba's business model and distinguishes it from competitors.

The business ecosystem model also brings the ability to innovate the business model to tap into new geographic markets and client segments, such as the B2B platform Alibaba.com and the B2C platform AliExpress and the LAZADA. The unique technology enables Alibaba to expand into the international market without losing its technical advantage. The increasingly powerful brand effect on a global scale is also the intangible ownership advantage of Alibaba, which has enabled the company to smoothly enter new overseas markets. Finally, the international and entrepreneurial experience of Ma Yun and the senior management team and their global perspective have all played an important role in expanding the company's specific advantages. In summary, the company-specific internal factors of Alibaba enable the company to internationalize its business and gain new opportunities for profit growth.

As for external drivers, the disappearance of the demographic dividend and the market's limitations in expanding Alibaba's business in China are the reasons that the company decided to achieve internationalization. The increasing competition of “Anti-Ali Alliance” and other cross-border platforms push Alibaba to go abroad to take advantage of early-mover advantage of e-commerce business in overseas markets where competitive pressure is not intensive. Finally, the

policy support of Chinese government has played a very important role in promoting Alibaba's internationalization.

	Internal Drivers	External Drivers
1.	Business ecosystem model -Excellent page designs, simple operation function, assistant's page; -Business operation platform is assisted by the business support platform, financial and logistic platform; -Ability to innovate the business model to tap into new geographic markets and client segments.	The niche domestic market: -Sales growth pressure; total transaction volume slows down in continuous 4 years; -Market share is slightly decreasing.
2.	Unique technology -Cloud computing technology make sure page processing and information processing smoothly; -Use of data analysis and to generate more revenue for customers and differentiate from others.	Competition: -Competition and pressures from the "Anti-Ali Alliance"; -Other cross-border platforms.
3.	Strong brand -Considerable investments in marketing and PR to spread awareness about the brand.	Government regulation and policies: - The "Internet + Circulation Action Plan"; -The "Vision and Action for the Silk Road Economic Belt and the 21st Century Maritime Silk Road" - "The belt and road" initiative.
4.	Entrepreneur's network and experience -Entrepreneurial experience of TMT; -Jack Ma's network resources with political leaders of various countries.	
5	Product/Service quality -Humanized service; -Improvement of product quality and service level.	

Table 2. Drivers of internationalization of Alibaba. Source: own creation

3.5 Alibaba's international expansion: Alibaba's business ecosystem advantages and the business strategy

From the moment the Alibaba Group rang the bell at American New York Stock Exchange, the Group's international strategy began to accelerate significantly. These years, the speed of this

company's overseas deployment has further accelerated. Ma Yun once said that he hopes to create a company that was founded by the Chinese but belongs to the world. These years, we have seen that almost all of Alibaba's core businesses, including e-commerce, finance, logistics, cloud computing, and entertainment, are all trying to get to the international level faster: Alibaba's e-commerce business proposes to achieve "global buying, global sales"; Ant Financial Services continues to overclock payment and financial companies overseas; the Cainiao Network connects with postal and logistics suppliers around the world to build a global logistics service network; Ali Cloud has continuously opened up new battlefields abroad; UC chose to enter emerging markets to occupy space (Yue Wang, 2018).

At a speculative level, we can see that the significant signs of globalization to Alibaba is to seek new growth points to address the bottleneck of the slowdown in the growth of core business in China. On the other hand, it is integrating resources, talent, technology globally and using global thinking to enhance its ability to fight in the world. For instance, Alibaba recruited two former Goldman executives as president of Alibaba and vice president of Ant Financial, responsible for global business, and invested in augmented reality company Magic Leap, Singapore mobile security and encryption technology company V-Key and other companies.

In the area of *e-commerce*, Alibaba's AliExpress offers SMEs with payment and logistics delivery systems that make it easier to do business in the global markets. After experiencing the 2015 downturn, the quarterly results for June 2016 showed that the revenue of the AliExpress platform increased by 123% over the same period last year. This increase was mainly from emerging markets such as Russia, Southeast Asia, and Brazil, while users in Europe and the United States were relatively cool. This result was mainly due to contributions from emerging markets such as Russia, Southeast Asia, and Brazil, while users in Europe and the US were comparatively low. Alibaba has invested in a number of companies that are strongly associated with the e-commerce business. It also attracts local consumers through various e-commerce models, such as social e-commerce. Alibaba believes that these social functions will increase the times of users' opening of shopping application, not only to make the relationship between sellers and buyers more closely but also enhance the communication between buyers.

In the area of *logistics*, Cainiao Network is Using Big Data to Achieve Informational Transformation of Cross-border Logistics Services. Zhang Yong, CEO of Cainiao Network, once stated that the starting point of globalization will be import and export business, while the bottom layer must rely on cross-border logistics. In addition, the Amazon and JD B2C models built their own logistics and distribution teams to provide quality services, and also made Alibaba determined to build a logistics service network in China and globally. Thus, the Cainiao network was born in May 2013 and is responsible for the entire Alibaba e-commerce logistics solution. The Cainiao

Network uses Alibaba's big data to promote the digitization of express delivery services, increase effectiveness, and provide high-quality cross-border logistics services for its customers.

There are three main methods of Alibaba's logistics solutions for the cross-border e-commerce. Dedicated logistics is a way for Alibaba merchants to post their products. The seller does not need to contact the courier company to send goods but only needs to send the goods to the warehouses across the country through domestic express delivery. According to the actual situation of parcels, the meeting will be carried out by the warehousing center after the inspection of the goods, and the goods will be uniformly deployed and sent to the destination country, giving full play to the advantages of industrial agglomeration. For minimizing more cross-border logistics transportation time, AliExpress officially launched overseas warehouse services in February 2015 and opened overseas warehousing in 9 countries including the United States, the United Kingdom, Russia, and Indonesia. As a result, the platform is unable to establish overseas warehouses. The sellers provide cost-effective overseas warehousing services and jointly manage and use overseas warehouses with numerous merchants, which greatly exerts the agglomeration effect of the platform and reduces the logistics costs of China's foreign trade companies. The third method, "Worry-free logistics," it can improve cross-border logistics customer satisfaction and reduce the seller's logistics disputes. Worry-free logistics integrates cargo collection, distribution, and logistics service in cross-border logistics, providing buyers with a one-stop global logistic service for information tracking.

In the area of *financial support*, Ant Financial is using payment as an entrance to instigate interactions between overseas merchants and users. As a cutting-edge force of Alibaba Group, Ant Financial's business covers the financial sector such as payment, wealth management, banking, insurance, loans, and credit information. Overseas, although the business of Ant Financial is not as popular as it is in China, news of acquisitions is frequently heard. Not long ago, Jing Yindong, president of Ant Financial Services, said that in the next four years, 50% of Ant Financial users will be overseas and 50% will be domestic. The overseas layout of Ant Financial mainly revolves around two major directions. One is Alipay, which attracts Chinese outbound users and overseas Chinese to use Alipay in Europe and Asia. The second is investment banking, insurance, and payment institutions.

In the area of *data computing*, during these years, Ma believes that data computing is the general direction in the future. He said that we will enter the DT era from the IT era, and Alibaba has invested more in upgrading cloud computing and big data technology. Now Ali cloud is a major highlight of Alibaba's financial report. Its latest quarterly revenue increased by 156% year-on-year. This is the third consecutive increase in Alibaba Cloud's five-digit growth. There are many opportunities for Ali Cloud to go abroad. First, cross-border e-commerce business will help

Alibaba Cloud's internationalization. Foreign products are sold to Chinese customers and at the same time, global customers can buy Chinese products. Alibaba Cloud is strengthening its cooperation with local companies, accelerating the rollout of its cloud infrastructure and services to support its e-commerce expansion needs, and providing global technical service providers with Cooperation opportunities.

In the area of *digital media and entertainment*, Alibaba's big entertainment segment goes global and UC is emerging in emerging markets. UC Browser achieved rapid growth in emerging markets such as Russia, Brazil, Pakistan and Bangladesh. Huang Hao, president of the overseas business of Alibaba Mobile Business Group, said in an interview that the Alibaba mobile business group is building a large entertainment system. All the models that happen in China will be replicated overseas, but they will do a lot of localization throughout the process. In his view, truly globalizing requires not only the accumulation of users, but also the formation of user word-of-mouth, real integration into the local business ecosystem, and sustainable localized revenue generation.

From the above five major sections: e-commerce, logistics, finance, data computing, digital media, and entertainment, we can see that Alibaba Group focuses on “cross-border” based on Chinese consumers or consumers with similar behavior and expands overseas, which may be the current stage of Alibaba’s internationalization.

The next step, for the purpose of getting better to know the details of Alibaba's internationalization process and its entry modes in the international markets, we analyzed Alibaba’s expansion into Russia and Southeast Asia.

3.5.1 Internationalization to Russia

AliExpress was launched by Alibaba Group in 2010 as a B2C platform for Chinese companies to sell their products directly to foreign consumers. It operates in 243 countries and regions all over the world. It has 18 websites in different languages. Russia is the largest market for AliExpress. From 2012 to 2018, AliExpress has been in Russia for nearly six years. It grew from a personal team to Russia’s largest e-commerce platform. Every day, millions of Russians visit this site. Many of them come from second and third-tier cities and remote areas. AliExpress not only brought a large quantity of high-quality Chinese goods to Russians far from the city but also changed the lives of many local people. In September 2014, AliExpress suddenly became the number one e-commerce website in Russia. In March 2015, AliExpress Android client ranked top in Google's online application store in Russia (all APP rankings), rising from the 100th to the top. In the Russian market, AliExpress ranks first in wireless APP downloads, with over 15.6 million purchases per month. On average, hundreds of thousands of parcels are sent from China to Russia

every day. Mediascope's data shows that in December 2017, Tmall and AliExpress had 4.8 million and 20.2 million users respectively in Russia. In the first three quarters of 2017, shopping from China accounted for 52% of Russians spending in overseas online stores. At the same time, 90% of all orders were given to China.

Market opportunities. Russia has a huge consumer group, about 103 million of the 143 million people in Russia use the Internet. The number of Internet users is the sixth largest in the world. Nearly 40 million of them use online shopping, and their online shopping penetration rate is 38.9%. The number is increasing rapidly at an average annual rate of about 30%. In addition, the Internet penetration rate in Russia is also increasing. According to ITU statistics, in 2015, the Internet penetration rate in Russia has reached 70.4% and continues to grow at an annual rate of 5%. With the popularity of the Internet and changes in shopping concepts and habits, the online shopping community in Russia will become increasingly large. Secondly, China's cross-border e-commerce is deeply loved by Russian consumers and its share in the cross-border e-commerce market in Russia is increasing. In 2013, China's cross-border e-commerce market share in Russia was 40%. China's cross-border 2015 The market share of e-commerce has increased to 80%. According to the forecast of the China E-commerce Research Center, China's cross-border e-commerce market share in Russia will exceed 90% in the future, and it will occupy an absolutely dominant position in the cross-border e-commerce market in Russia.

The emergence of an unexpected situation has also accelerated the promotion of AliExpress in the Russian market. In the second half of 2014, with the devaluation of the ruble, prices rose four or five times during one night, and Russian people tend to buy cheaper goods which happen to be the advantage of AliExpress. AliExpress's commodity prices are low and even lower than the prices of similar goods sold on some Russian local e-commerce websites. "Chinese sellers have products that Russian consumers want to buy at the price they want to pay. And that's why they are increasingly welcomed by Russian consumers. It is reasonable for us to follow this requirement." (Spiridonov, 2016). In this year, during the first time AliExpress was participating in the "Global double 11 shopping festival", Russians placed 3 million orders.

Russian legislation (in the field of taxes, consumer protection, and technical regulation) does not apply to foreign online sellers before. Import of imported goods purchased by Russian consumers abroad via the Internet is regulated by the Agreement of the Customs Union established on 18.06.2010 (Aleksandrova, 2017). Online purchases made by Russian consumers are delivered via international mail and are treated as goods for personal use. In 2018, the regulation was changed to protect local e-commerce firms, but there is still room for the foreign e-commerce players.

Policy environment advantages. In recent years, Chinese-Russian political mutual trust and pragmatic cooperation have continued to grow. China is not only the largest neighbor of Russia but also Russia's largest trading partner for many years. Although Chinese-Russian trade is mainly concentrated in the energy area, with the advancement of China's "The Belt and Road" initiative, the cooperation of e-commerce between China and Russia still has special potential. At present, the scale of Russia's cross-border trade on the Internet is clearly inclined to China, opposed to the sanctions imposed by Western countries, and the Russian high-end market began to change from looking westward to looking eastward. With the vigorous development of the Russian e-commerce market and the Chinese government's support for the brand to go abroad, a lot of Chinese brands have successfully entered the Russian market. Due to the weak foundation of light industry in Russia, Chinese brand owners soon took up most of the market in Russia with their abundant product lines and price advantages.

With the implementation of China's "The Belt and Road" initiative and the completion of the comprehensive strategic partnership between China and Russia, the economic and trade cooperation between the two countries has further deepened. "Silk Road Economic Belt" advocated by China and the "Euro-Asian Economic Union" advocated by Russia response to the development trend of e-commerce, the cross-border e-commerce development between China and Russia is prosperous. China and Russia are conducting cooperation on the "One Belt and One Road" initiative. This policy brings great interests in dealing with Russia's cross-border e-commerce logistics issues. In the future, under the Chinese-Russian joint "West Silk Road" strategy (China-Russia high-speed rail cooperation), China-Russia cross-border transportation and Russian domestic e-commerce logistics problems can be solved.

In 2013, Russian President Vladimir Putin approved the "Russian Arctic Development Strategy by 2020". This strategy ("Northern Silk Road") stipulates the establishment of a unified transportation system in the Arctic region, scientific activities and international cooperation. China, Mongolia, and Russia are building cooperation on the "One Belt and One Road" "China-Mongolia-Russia Economic Corridor". This policy also has great interests in dealing with Russia's cross-border e-commerce logistics. The signing of the "Memorandum of Cooperation on Sino-Russian High-speed Rail Cooperation" in 2014 promoted the construction of a high-speed transportation project from Beijing to Moscow. In October 2015, "The Belt and Road" initiative national cross-border e-commerce and "Internet + Russia-China Economic and Trade Cooperation" exchange meeting was held in Harbin. The conference attracted representatives from 65 countries along the "The Belt and Road" initiative in China to jointly explore the development of the cross-border e-commerce and promote the mutually beneficial cooperation between China and Russia in the field of cross-border e-commerce. The Chinese and Russian representatives discussed and promoted

“The Belt and Road” initiative cross-border e-commerce cooperation. At the meeting, Chinese-Russian cooperation in the construction of a "Russian Ural China overseas warehouse" project cooperation was formally signed. Thanks to Heilongjiang is China's largest province bordering Russia, the development of cross-border e-commerce has obvious geographical advantages and competitive conditions.

Over the past few years, different projects of e-commerce cooperation between China and Russia can be found in the areas of cross-border payment, logistics, services, customs clearance, and after-sales service. China-Russian cross-border e-commerce cooperation has reached the most harmonious development stage in history. Recently, China and Russia have actively cooperated in different fields. In particular, the governments and enterprises of the two countries have vigorously promoted the development and improvement of bilateral trade. The two countries are making efforts to improve trade conditions in Russia, reduce overall tariffs, improve the financial industry, and other effective measures so that Chinese-Russian cross-border e-commerce cooperation gradually benefits from common interests.

Business strategy. When entered the Russian market in 2012, the situation of AliExpress was not optimistic and even suffered losses for two consecutive years. In 2014, AliExpress's market share in Russia was 14%, eBay and Amazon were 21% and 10%, respectively, which just past the dangerous period. The turning point also happened in 2014. First of all, AliExpress's business model has transformed from B2B to B2C which means sent Chinese goods directly to foreign consumers. In order to eliminate consumer distrust of cross-border shopping, AliExpress opened a first offline experience shop in cooperation with the Russian Railways in Moscow, hoped that these visible and tangible physical goods can let Russian consumers have a more intuitive understanding of AliExpress.

At the same time, AliExpress adjusted its marketing strategy, avoided most of the e-commerce companies including eBay strangled in major cities such as St. Petersburg and Moscow, opened up a new blue ocean, entered second and third-tier cities and remote Siberia. It allows people in remote cities to experience the convenience of cross-border shopping. In addition, the emergence of an unexpected situation has also accelerated the promotion of AliExpress in the Russian market. Relating to eBay customers it can be mentioned that 50% of buyers are in Moscow and St. Petersburg, the remaining 50% are people from the regions (Aleksandrova, 2017). In the second half of 2014, with the devaluation of the ruble, prices rose four or five times during one night, and Russian people tend to buy cheaper goods which happen to be the advantage of AliExpress. In this year, during the first time AliExpress was participating in the “Global double 11”, Russians placed 3 million orders.

For the strategic partnership, Alibaba focused on the cooperation of logistic and payment services with local partners. AliExpress is pushing Russia to upgrade logistics and payment methods. For e-commerce, fast and smooth logistics is crucial. However, compared with the developed Chinese express delivery industry, Russia's express delivery industry is still in its infancy, and Russian online shopping is mainly delivered by means of standard mail. Currently, most of the AliExpress orders are handled through Russian Post. Since the beginning of 2012, AliExpress Russia's orders have been growing rapidly for a short period of time. This has caused great pressure on the Chinese and Russian postal parcels. Surging orders have caused a large backlog of Russian customs parcels, which has caused great repercussions among the Russian public and the media. In March 2013, AliExpress sales generated 170,000 parcels. At that time, the daily processing capacity of Russian Post was only 30,000. One month later, Russian customs was blocked by 500 tons of parcels. The delivery time of many parcels was delayed to six months. Russian Post was met with unprecedented protests. Two months later, the Russian government ordered the removal of the Russian postal CEO.

AliExpress solves problems by communicating with Moscow, Russian Post's new CEO, China Post, and China Local Post. In the second half of 2013, China Post began to increase its flights, and Russian Customs began to increase its manpower for customs clearance. Russia Post has increased several international exchange offices in addition to Moscow, and the package extrusion situation has improved somewhat. By 2014, due to the continuous growth of orders from AliExpress to Russia, there were hundreds of "Chinese-Russian logistics lines" in the society, most of which were built by Chinese logistics companies, and some were built by Russian express companies. These lines have improved the parcel time efficiency and service level between China and Russia in different degree. Prior to the "Double 11" in 2014, AliExpress shared all orders, parcels, and buyer information to the Russian Post through system docking. This greatly improved the customs clearance and sorting efficiency of Russian Post and accelerated the speed of Chinese-Russian logistics. In the past four years, Russian mail delivery time has been reduced from 30 days to the fastest of 7 days.

When AliExpress started to operate in Russian market it concluded a partnership agreement with the Qiwi payment system, a year later, in 2013, is connected to the WebMoney Transfer system, and in 2014 connected through Yandex Money the same-name wallets and terminals of Sberbank (Aleksandrova, 2017). It supplemented payment methods with mobile phone balance payment and cash in (offline terminal cash payment) in 2015. For users who do not have a credit card or wallet, they can also purchase it on AliExpress. At the same time, it supports consumers to pay at the post office. All 30,000 post offices in Russia can make payments and provide payment methods for users in remote areas of Russia. In 2015, AliExpress also opened a new business

scenario in Russia: Russian users can use credit cards to recharge mobile phones through AliExpress, and they are dedicated to making life easier for the Russian people. Alibaba teamed up with Russian online bank Tinkoff Bank to launch a co-branded loyalty program. Associated with MasterCard credit and debit cards, this program is the first of its kind in the world, said Mark Zavadskiy, AliExpress business development director in Russia.

In Russia, AliExpress use the cost leadership strategy. The company has reached economies of scale and becomes a leading market player, which has helped it to expand the business and get more opportunities. It has helped the SMEs and merchants to get a reliable platform to sell their products. Besides, the company is gradually building the overseas warehouse in Russia. For instance, SPb GКУ —External Transport Agency signed a protocol with the Chinese —Yingkou port network technology Co. on cooperation in the preparation and implementation of investment projects in the development of transport and logistics capabilities of St. Petersburg. The Alibaba project in St. Petersburg provides the creation of a logistics center for the accumulation and distribution of goods purchased by Russian citizens in the Internet shops of the PRC throughout the European part of the Russian Federation (Aleksandrova, 2017). The company intends to reorient the logistics chain of supply of Chinese goods to Russia to the Big Port of St. Petersburg. Now the Alibaba cargo is delivered either by aviation or by rail, mainly through Moscow. The company also plans to open a distribution warehouse to create stocks of the most popular goods, to send them to customers without delay, therefore the delivery time will be reduced to 2-3 days (Aleksandrova, 2017).

Localization is the best way to impress Russian consumers. Today, AliExpress has gained popularity in Russia. AliExpress provides translation support for key processes. Through "Taodaixiao" tool can help products on Taobao automatically translated into Russian, released overseas. The overall removal of products: sellers can use the "Taodaixiao" tool to translate the product information on Taobao into Russian. Part of the descriptions modification: if sellers have some titles, some service descriptions, etc., they can use the translation tool to translate Chinese into Russian and then edit it. This makes sure there is no language barrier for Russian consumers to shopping on AliExpress. In October 2014, AliExpress began to try to expand local Russian businesses and help them to use Russian local better products and services (mother language service, local sales, fast logistics) adopted better by Russian buyers. At the same time, AliExpress also promoted some Russian merchants to sell Russia's special products to China through Tmall International. By 2016, AliExpress's MALL channel has become a brand mall that provides Russian local delivery, local Russian customer service, and local after-sales 100% quality assurance.

3.5.2 Internationalization to Southeast Asia

As early as 2015, Alibaba began to deploy Southeast Asia. In the past few years, the annual growth of the e-commerce market in major Southeast Asian countries exceeded 20% and the market has unlimited consumption potential. Especially in the last two years, Alibaba, Amazon, Tencent, Facebook successively invested more in the market in different forms. There is still much room for excavation in the e-commerce market in Southeast Asia. It had spent US\$500 million to invest in SNapdea, an Indian e-commerce company. In 2016, it bought LAZADA, the largest e-commerce company in Southeast Asia, for another US\$1 billion. In November of the same year, it acquired Singapore's online grocery retailer-RedMart, unprecedented intensity. Through various incentives, Alibaba stimulated the market and gained more e-commerce users. In 2016, Alibaba acquired Lazada, the e-commerce platform in Southeast Asia, which increased Alibaba's annual revenue by 56% to US\$23.3 billion. As of the end of June 2017, Lazada's investment in international e-commerce business revenue was 2.6 billion RMB. It is no exaggeration to say that it is just like China's Taobao 10 years ago. A wave of supply and consumption outbreaks will soon be ushered in.

Market opportunities. In the past few years, with the growth of per capita income and the popularity of smart terminals, the number of Internet users in Southeast Asia has experienced explosive growth, making e-commerce increasingly popular. From the macroeconomic perspective, the GDP and population of most Southeast Asian countries are growing at a high rate. In 2015, about 145 million people had disposable income of more than 3,000 US dollars. In addition, the population of Southeast Asian countries is relatively young and easy to accept new things. With regard to mobile devices, with the development of technology, more affordable smartphones and laptops have appeared on the market, allowing people to surf on the Internet anytime and anywhere, and promote the popularity of mobile commerce (M-commerce). In addition, in the third and fourth-tier cities and rural areas, the number of shopping centers is very small, and many brands and products are difficult to purchase through offline stores, and e-commerce provides them with great convenience. From the cultural perspective, the geographical proximity of South East Asia on China, there are many ethnic Chinese, and Chinese cultural preferences similar, it is easier for Alibaba to understand and cut into this market. In Southeast Asia, the penetration rate of e-commerce is low, and the e-commerce retail industry is still in the early stage, which has extremely high growth potential.

Southeast Asia is still in the early stages of digital development possessing the promise of large future dividends. Southeast Asia's best years of digital growth are clearly still ahead. The region is expected to grow by 3.4 million Internet users every month between 2016 and 2021,

during which the size of the region's Internet economy is expected to expand from US\$6.5 billion presently to US\$200 billion by 2025 (Dev Lewis, 2017).

The number of Internet users in South East Asia is just behind China and India. Currently, it has reached 250 million people and is expected to reach 350 million people in 2018. By 2020, the number will reach 480 million, and the number of users will increase rapidly. The popularity of smartphones has driven the penetration of Internet and e-commerce usage. Currently, more than half of the traffic and volume come from mobile terminal platforms. Although at present only the market value of the home-grown Internet companies has reached more than US\$100 million, according to relevant reports, the valuation of at least six unlisted companies has reached US\$1 billion. As the investment activities of the Internet and e-commerce industries continue to heat up, more Internet or e-commerce companies are expected to be listed in the coming years. In addition, Singapore and Indonesia have great industry development prospects. Among them, Singapore's economy is highly developed, and it is very likely that it will lead the development of Southeast Asia as a pilot. Indonesia has a huge population and provides a huge market space.

With the continuous development and popularization of the Internet in Southeast Asia, China's e-commerce platform has been slowly familiar with, and Chinese products have gradually spread to Southeast Asia. "Southeast Asia is indeed an outlet, and is currently the world's largest e-commerce outlet," Lei Peng said. "Because Southeast Asian consumer habits are deeply influenced by Chinese culture, they receive and recognize China's information and products, plus Southeast Asia's presence huge Taobao purchasing market, so that most of China's consumer upgrade products will be popular in the Southeast Asian market, this outlet is very huge, Southeast Asia will soon become the world's largest consumer upgrade market in addition to China."

Taking Thailand as an example, the competition in Thailand's e-commerce market is not in a fierce situation. Thai consumers are just beginning to realize the role and existence of e-commerce, and this is still part of the trial period, and most of the things purchased through the Internet in Thailand are still in the traditional way: look for goods on the Internet, chat with the sellers through social networks or software, remit the payment to the seller's account, and wait for receipt. Based on the results of a questionnaire survey in 2017, consumers in Thailand have made 79.5% of online shopping, but only 38.2% of them have conducted cross-border online shopping. Thailand consumers generally make online purchases through social networking tools such as Facebook and Instagram, followed by domestic platforms such as Lazada and Weloveshopping. The most frequently purchased products are clothing, bags, shoes, cosmetics and electronic products. Most Thai consumers consider the platform credit and payment system security as the most important factor. Although some of the existing domestic platforms pay through third-party guarantees, the internal management of the platform is backward and the after-sales service cannot meet the needs

of consumers. In addition, for Thai consumers who often shop online, shipping costs are also one of the main reasons for their consideration, because there is no need to pay for shipping in physical stores, but there are many online shop purchases on Thai domestic platforms that require additional payment for shipping. Since Thailand's existing e-commerce platform has not yet fully met the requirements of consumers, the loyalty of consumers to a certain platform is still low. All the facts indicate there is the big potential e-commerce market in Thailand which will bring Alibaba great business opportunity.

Policy environment advantages. As early as 2016, when the Thai government delegation visited Alibaba's headquarters in Hangzhou, the two parties had reached cooperation in the fields of electricity supplier training, supply chain, and logistics system cooperation, and jointly promote the development of the Eastern Economic Corridor (EEC). The signing of a memorandum of cooperation for this time means that the cooperation between the two parties will be further deepened in these areas and will further accelerate the layout of Alibaba's presence in Southeast Asia.

Alibaba Group signed a strategic cooperation agreement with the Thai government in Bangkok on the 19th April 2018. In the future, both parties will cooperate in e-commerce, tourism, and talent training. Jack Ma, chairman of the board of directors of Alibaba Group, said at the signing ceremony that Alibaba is not only helping Thailand to sell agricultural products but also building a smart logistics system and training talents for the digital age in Thailand to meet future challenges. Alibaba hopes to bring more opportunities for the future of Thai SMEs and young people.

Thus, the governments have a very positive attitude in Alibaba's internationalization in Southeast Asia. Moreover, in recent years, with the joint efforts of China, Laos, and Thailand, the issues that excessively long stay time in Laos has been solved, the international transportation on the Kunming-Bangkok International Highway has become more convenient. The Kunming-Bangkok International Highway is a freeway from Yuxi, Kunming that passes through Laos and eventually reaches Bangkok, Thailand. It is also China's first international expressway. The total length of more than 1,800 kilometers of Kunming-Bangkok International Highway makes a significant contribution to the Chinese cross-border e-commerce platform to send goods to Thailand. Besides, China and Laos signed a bilateral Memorandum of Understanding (MOU) on Cyberspace Cooperation and Development at the Harbour.

Business strategy. As the top e-commerce platform in Southeast Asia, Lazada has started operations in Indonesia, Malaysia, Philippines, Singapore, Thailand, and Vietnam. Including the new investment for Lazada business expansion, Alibaba Group's total investment in Lazada will reach US\$4 billion, including investment of US\$1 billion in 2016 to hold Lazada and increase its

shareholding in 2017 to 83% One billion U.S. dollars in investment. The Alibaba Group announced on March 19, 2018, that it will increase investment in the Lazada Group by US\$2 billion to accelerate the growth of Lazada while deepening its integration with the Alibaba ecosystem. In 2016, Alibaba's Southeast Asia e-commerce giant Lazada acquired RedMart, an online supermarket in Singapore. Alibaba also invested in Indonesian E-commerce Group Tokopedia. Alibaba has also invested in two local e-commerce companies in India. Subsequently, Alibaba also controlled a payment platform Paytm (similar to "Alipay") through three rounds of investment. These acquisitions and investment of local e-commerce companies show Alibaba's differentiation strategy.

The investment highlights Alibaba's confidence in the future success of the Lazada business and the growth prospects of the Southeast Asian market, and Southeast Asia is crucial in Alibaba's global growth strategy. This increase in investment by Alibaba Group is expected to deepen the synergy between Lazada and Alibaba's vast ecosystem, allowing Lazada to use Alibaba's resources to further serve consumers and empower Southeast Asian businesses in innovative ways.

As Alibaba further provided capital and resources support, the Lazada Group's board of directors also approved a management adjustment. Peng Lei, current chairman of the Lazada Group, will serve as CEO of the company to advance Lazada's development strategy. Peng Lei is one of 18 founders of Alibaba Group and one of Alibaba's senior partners. Max Bittner, the founder of Lazada and the chief executive since 2012, will serve as Alibaba Group's senior advisor, assisting the Lazada management's adjustment of the handover and the Group's future international development strategy. Peng Lei said: "The rise of youth groups in Southeast Asia, high penetration of the mobile Internet, and e-commerce volume of only 3% of total retail sales have given us confidence in overweight investment in the Southeast Asian market. Lazada has occupied strategic priorities. We are fully capable of grasping the development opportunities in the next phase of Internet business in Southeast Asia. We are very excited about the tremendous business opportunities brought about by the rapid growth."

There are many advantages of this directly holding approaches. Alibaba cannot only quickly understand the market, integrate into the market, and conduct business in a short period of time, but also can better adapt to foreign purchase habits and environment, and will not be dissatisfied with it. It also helps to build its cost leadership advantage. On contrary, Amazon's perseverance in embedding its own framework into other countries has resulted in a strong rebound. When Amazon entered the Chinese market, it followed the same way and finally gave up.

For the strategic partnership, Alibaba focused on the cooperation of logistic and payment services with local partners. The New York Times reported that the situation in Southeast Asia is different from that in China. The 600 million people in this region are divided by politics, language,

and culture. Some places are modern, such as Singapore. But there are still some places lacking roads and other infrastructure, and people cannot get what they need (The NYtimes, 2017). According to the analysis of the article, infrastructure is one of the reasons for the development of Amazon's business. When Amazon first introduced services in Singapore, it forced many transactions to fail because it exceeded the number of customers it could afford. In contrast, Alibaba has been ahead of Amazon and has established infrastructure in different regions of Southeast Asia. Alibaba hopes to provide faster logistics speeds when its customers increase rapidly. The logistics system combines Lazada's self-built logistics system with the resources of regional key logistics companies (such as Alibaba's SingPost). It based on e-commerce to develop Southeast Asian logistics business and wait until the time is ready to promote the transfer of the Cainiao Network.

The electronic payment is based on the combination of Ant Financial Services and Lazada's HelloPay (completed in April last year), transferring the bulk of Alibaba's payment technology acquired in China to Southeast Asia, and dealing with the issues of national payment licenses; transferring China's successful payment concepts, technologies, and operations to local partners and formed a holistic approach to user payment scenarios. For instance, Ant Financial announced that it launched DANA electronic wallet with Indonesian Emtel Group to provide digital data for 50 million Indonesian BBM users, payment and financial service experience (American Enterprise Institute, 2016). Indonesia is the world's largest market for communication products BBM; BBM is one of the most important communication applications in Indonesia.

Alibaba's UC Browser and UC News have taken root in Indonesia for many years. In particular, UC Browser has over 50% market share in Indonesia and is already an important traffic entrance for Indonesian users. In the early days of the market, the e-commerce business was not yet accepted by the general public. Having access to important traffic, it had the conditions to touch users every day. This not only promoted the e-commerce application but also synchronized the latest operational activities to the users. From another point of view, controlling the traffic channel by oneself can not only guarantee the quality of the promotion but also save the cost of promotion for users who go to a third-party traffic platform.

3.5.3 Summary

Expanding the scope of operations and internationalizing it to overseas markets is a potential opportunity for Alibaba to use its unique advantages to create higher revenues. A cross-border analysis of Alibaba (Russia as the largest AliExpress market and Southeast Asia as a high-potential e-commerce market) shows that factors such as market attractiveness and regulatory environmental advantages are the drivers of Alibaba's internationalization. Alibaba is inclined to

invest in countries with higher attractive markets. The regulation environment advantages as well as the cooperation among governments furtherance the Alibaba's internationalization to Russia and Southeast Asia.

The company chooses to enter markets from the second and third tier cities in Russia in order to avoid the direct competition with Amazon, eBay, and another domestic e-commerce platform. It accelerates the development of logistics, a financial support system in both countries and helps build the infrastructure in some undeveloped area in Southeast Asia.

Alibaba also established strategic partnerships with leading local companies to reinforce its local businesses and localization services. The partners are Russian Post, Qiwi, Yandex, Webmoney and Indonesian Emtex Group and so on. At the same time, transfer its successful payment concepts, technologies to local partners. On the other side, the case of Southeast Asia shows that Alibaba prefers direct holding of local companies: Lazada, RedMark, Tokopedia, and Paytm, in order to quickly understand the market, integrate into the market, conduct business in a short period of time and also better adapt to foreign purchase habits and environment.

Speaking of the business strategy, Alibaba tends to pursue the differentiation and cost leadership in both cases. In the Russian case, differentiated strategy depending on the market characteristics was also implemented. AliExpress expanded local Russian businesses and promoted some Russian merchants to sell Russia's special products to China through Tmall International and AliExpress's MALL. Furthermore, in order to make the services of Alibaba's service more attractive to local customers, Alibaba localized platform to be more language-friendly and the payment services. In Southeast Asia, there are different e-commerce platforms and services operate in different countries hold by Alibaba Group based on the market situation which contributes to its cost leadership.

Localization is the best way to impress consumers. Today, AliExpress has gained popularity in Russia. In October 2014, AliExpress began to try to expand local Russian businesses and help them to use Russian local better products and services (mother language service, local sales, fast logistics) adopted better by Russian buyers. In Southeast Asia, Lazada contributes a lot to company's localization process, since it's already the No.1 in local the e-commerce companies, and Alibaba also localized the payment and logistic method by the HelloPay, DANA, etc..

All in all, we can see that the operation of cross-border e-commerce platform and the financial and logistics support system has taken shape in both regions. These three are the essential parts of building the Alibaba's business ecosystem.

International Opportunity	Market attractiveness	Russia	Southeast Asia
		Same: Customer’s preference	
		Differ: Price preference	Differ: Similar culture preference
		Differ: High internet penetration rate;	Differ: The increasing number of internet users （the third in the world）； The young population who are easy to accept new things; Limited shopping centers in rural areas;
	Government regulation and policy	Same: soft regulations and supportive policy in both countries	
Differ: Chinese-Russian Political mutual trust and pragmatic cooperation; “The Belt and Road” initiative; The increasing Chinese-Russian cross-border e-commerce cooperation.		Differ: Strategic cooperation among governments; International transportation on the Kunming-Bangkok International Highway.	
Strategy	Entry strategy	Same: key partners are in the same area: logistics, payment; cooperation with local companies + establishment of its own subsidiary	
		Strategic partnerships with Russian Post, Qiwi, Yandex and Webmoney	Strategic partnerships with Emtek Group, Hellopay, Lazada's self-built logistics system;
		Differ: AliExpress entered from the second and third tier cities in Russia; Opened offline experience shop in Moscow; Accelerate the development of Russian logistics and financial support system	Differ: the Direct holding of local companies: Lazada, RedMart, Tokopedia and Paytm; Use UC Browser to drive internet traffic; Help establish infrastructure; Transfer successful payment concepts, technologies to local partners
	Business strategy	Same: Build the business ecosystem	
		Cost leadership strategy	Cost leadership strategy
		Differentiation strategies	Differentiation strategies
		Localization of services	Localization of services

Table 3. International opportunity for Alibaba and company's strategies in Russia and Southeast Asia.

Source: own creation

4. DISCUSSION AND CONCLUSION

4.1 Discussion of the findings

The purpose of this master's thesis is to investigate the drivers of internationalization and the characteristics and patterns of Chinese e-commerce companies' international expansion. The purpose is to achieve through the investigation of existing literature in the area of internationalization theory and the phenomenon of Born Globals, internationalization strategy in emerging market, internationalization strategy of e-commerce firms as well as the features of Chinese e-commerce firms' internationalization and by analyzing Alibaba Group using the theoretical frameworks. Alibaba is the largest Chinese e-commerce company which has attracted worldwide attention through the rapid development of the global e-commerce industry in recent years. In order to achieve the purpose of research, some goals have been set.

The first goal is to determine *the competitive advantages of e-commerce companies* so that they can successfully expand into foreign markets. Alibaba's case shows that its business ecosystem model, data computing technology, strong brand, founder's vision, relationship with political leaders of various countries, and quality of products and services are its competitive advantages. Alibaba's business ecosystem model enables companies to get new revenues growth points in Chinese and international markets. Ali Cloud technology is the foundation of Alibaba's business model. That is why the competitive advantages come. The unique technology enables Alibaba to enter other markets but not losing its technological advantage. Another intangible ownership advantage of Alibaba is its increasingly powerful brand effect on a global scale and helps its new businesses enter new regions easily. The international and entrepreneurial experience of Ma Yun and the senior management team and the global vision of the founders have also contributed to the company's company-specific advantages. Finally, improving the quality of products and services as well as humanized services is also seen as an advantage of Alibaba.

The second goal is to *determine the motivations for Chinese e-commerce companies to launch their international business*. By analyzing the recent situation of China's e-commerce industry, the disappearance of demographic dividend and market expansion Alibaba's business in China are the important elements for Alibaba's decision-making to achieve internationalization. On the contrary, foreign markets are more attractive. The increasingly fierce competition of cross-border platforms

such as “Anti-Ali” has promoted the internationalization of Alibaba to take advantage of the first-mover advantage of the current domestic competitors’ small-scale e-commerce business in foreign markets. Another factor in the market environment is industry supervision. Finally, the policy support of the Chinese government and the host country has positive effect in promoting the internationalization of Alibaba.

The third goal was to *analyze the internationalization process of Chinese e-commerce companies*. The case of Alibaba showed that the company internationalized its operations focused on “cross-border” based on Chinese consumers or consumers with similar behavior and expands overseas and builds the business ecosystem gradually abroad, which may be the current stage of Alibaba’s internationalization. Alibaba grows its presence in the overseas countries starting from second and third-tier cities and then entering big cities.

The fourth goal of the study was to *analyze the choice of entry mode and the strategy in the foreign markets*. It was found the Alibaba enters the new markets by directly holding local subsidiaries or launch its own subsidiary. Furthermore, the company is developing the strategic partnership in logistics and payment area. As for the business strategy, Chinese e-commerce companies pursue differentiation and cost leadership focus strategy based on the country’s overall economic characteristics. The company also shows the high level of localization of its services to meet the local requirements. The localization appears not only in the form of different languages platform but also in the form of new services tailored specifically to the local needs.

All in all, the factors and strategies were found and analyzed in the present study contribute to the understanding of the successful international performance of Alibaba Group that is now operating globally. To summarise, we can see that Alibaba is trying to build the business ecosystem in the different regions where it internationalized. The interaction of each part enables the entire system to work well and generate more value for the whole company.

4.2 Theoretical implications

The results of the Master's thesis contribute to the internationalization strategy of China's e-commerce companies by analyzing the rapid internationalization of Alibaba Group into more than 200 countries. The analysis of this rapid internationalization of internal and external drivers has reinforced Born Globals' existing internationalization model, in particular, the international

performance-driven model developed by Gerschowski et al. (2014). The study shows that, in addition to starting its own subsidiary, the foreign direct investment may be the right choice because it can be closer to the market and better control the customer experience.

The more important theoretical implication of the master's thesis lies in the trying to reveal the internationalization process of Chinese e-commerce firms. The research contributes the basis for future study in the area of internationalization strategy of Chinese e-commerce firms. The study also determines the driving factors of the internationalization of Chinese e-commerce firm, both internal with the emphasize on the firm-specific advantages, such as business ecosystem model, the intangible assets, and external drivers; explores the internationalization patterns as well as determines the strategic choices uses to enter (strategic partnership and FDIs) and develop foreign markets (cost leadership, localization and differentiation). All in all, the results provide the basis for the future research on the drivers, business strategies and entry modes that Born Global Chinese e-commerce firms apply in the internationalization process.

4.3 Managerial implications

The study has several managerial implications for the different groups of managers: 1) manager in internationalized e-commerce firms; 2) manager in e-commerce firms that are going to internationalize; 3) manager in e-commerce firms that are in the competition with the international ones.

Alibaba Group considers and manages the specific situations of China e-commerce market. As China e-commerce market is still growing, Alibaba case is the very good example for other company in building e-commerce business in the new emerging market. With Chinese growing e-commerce market, Alibaba case is a suitable case for other companies to establish e-commerce business in emerging markets. The research results indicate that e-commerce companies' ownership advantages, such as light assets and scalable business models; innovative technologies will make them different from the competition. The strong brand, entrepreneurial experience, and product and service quality also trigger internationalization. The e-commerce companies should also use government policies and regulations to support their internationalization operations. Speaking of international opportunities, research shows that it would be better managers to consider the attractiveness of foreign markets and the regulatory environment as well. Because the

latter is important in the long-term perspective. The expansion of e-commerce companies can begin in second- and third-tier cities to avoid strong competitors for big cities. The results of this study may help e-commerce company managers select entry and business strategies for developing international markets, that is, the pursuit of foreign direct investment and strategic partnerships with major local companies. Cost leadership is an appropriate business strategy for rapidly expanding markets. Localization and differentiation of services create additional advantages for companies to tap specific local opportunities.

Finally, the implication also includes building the business ecosystem in the different regions where the company internationalized. The interaction of each part enables the entire system to work well and generate more value for the whole company.

4.4 Limitations of the study

This study has some limitations that are mostly caused by the choice of the case company and the industry. The research uses secondary data which could be a limitation in this case-based research.

The first limitation is that the company chosen for the case study is Alibaba Group-the largest Chinese e-commerce firms. To build a broader view on the Chinese e-commerce firms internationalization it is important to analyze the expansion of domestic Alibaba's competitors, such as JD.com, Vipshop.com and the Tencent.

Second, the e-commerce industry is the rapidly changing and advancing. Studying such companies in the longer period, when the industry will get its rigid regulatory framework and distinct players, will definitely generate more insights to the internationalization theory.

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